

## THE PROBLEM OF MONOPOLY

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COLUMBIA UNIVERSITY LECTURES

THE  
PROBLEM OF MONOPOLY

A STUDY OF A GRAVE DANGER  
AND OF THE NATURAL MODE  
OF AVERTING IT

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## PREFACE

This little work gives permanent form to a course of lectures recently delivered in Cooper Union, New York. They were given in an off-hand way and stenographically reported; and they are now published with a minimum of revision. The considerate reader will, as I hope, take the book for what it is, in view of the manner of its preparation and its general purpose. That purpose is merely to apply to important problems economic principles which have recently become known.

The industrial system which developed under a régime of freedom and competition has become perverted by the presence of monopoly; and the thing to be accomplished is not to revolutionize the system by the method of state socialism, nor yet to cause it to reverse its natural development by resolving the great corporations which now dominate it into their constituent elements, as crude anti-trust legislation would try to do, but rather to retain the corporations for their efficiency while taking from them their power of oppression. Nature has shown us how to accomplish this, by revealing forces which now partly accomplish it, though without some action by the state they do their work imperfectly. We have to clear away

the obstacles that interfere with these natural forces. The policy is not destructive but preservative, since it demands that we do not kill the industrial monsters which threaten and injure us, but tame them and convert them into useful servants.

It is monopolies in general, and not merely the so-called trusts, that we have to deal with, and it is a condition of freedom which we have to restore. On the descriptive side the book is too brief to add much to common knowledge; but on the basis of accepted facts it may possibly make more apparent the true way out of our difficulties. The route is a clearly defined one, though following it in the face of obstacles will require very strenuous effort.

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COLUMBIA UNIVERSITY LECTURES

THE PROBLEM OF MONOPOLY

DELIVERED  
IN THE COOPER UNION  
1904



## CHAPTER I

### THE GROWTH OF CORPORATIONS

I know of no more startling and disquieting tendency of recent times than the growth of those great corporations which have gathered to themselves, each in its own field, nearly all the business that is there transacted. They look like all-consuming monopolies and we regarded them at first with an alarm which has partly subsided as we have gotten more and more used to them. That alarm, however, was not ill grounded. The size and power of the new corporations was enough to excite it. If the dinosaurs which, geologists say, once wandered to and fro upon this earth, terrifying and devouring as they went, were to reappear in bodily presence, they would affect our nerves about as the corporations would have done if we had not gotten used to them gradually. The modern monster looks as all-devouring as the ancient one and one of the questions which we have now to ask ourselves is whether they really are as predatory as they look. Do they devour everything within their reach? We have observed that they do a great deal of devouring, and yet we have seen that some living things which might have fallen a prey to them survive. A competitor here and

there holds his place. It is much as though a comparatively insignificant animal, wandering about in one of those early forests in easy sight and reach of one of the dinosaurs went undevoured and unattacked—possibly by reason of his insignificance. The monster may have looked at him out of the corner of an eye and left him undisturbed. Far otherwise would it have been, however, if the great animal had considered his feeding ground invaded and the abundance of his food supply reduced. Then there would have been a snap of the hungry jaws and it would have been all over with the smaller animal.

Now something of this sort happens whenever one of the monster corporations finds a smaller one in the way. The great corporations know how to dispose of a smaller rival, though they do not always use this knowledge. There are conditions in which it is not wise to use it; but in a great many instances they do so. Can they, then, exterminate weak competitors and become monopolies, able to tax the people at will? Certainly monopoly is an evil thing, and I shall encounter little opposition in making that statement. No one of us is fond of the vender of necessary goods who says to us: "Aha! I have the whole supply of these goods. You must come to me for them and I will charge you what I will." We get less and less fond of this when we pay bills for more and more articles manufactured by monopolies and sold to us for more than we formerly paid for them.



Possibly we may also have felt the effects of the new system in a forcing down of our wages; for neither prices nor wages can possibly be normal under the general régime of monopoly. There was a time when the prices of goods were near to their natural standards as these were fixed by the cost of making them. Where there are many competitors making something—shoes, cotton goods, woolen cloth, steel or what not—they compete with each other vigorously for business, and if the price of anything is high—if it yields much more than is necessary to pay the wages of all the labor and the interest on all the capital that are employed in making it—there is a chance for somebody to make a profit by going into that business. Then it is that everyone who has a small mill wants to make it larger, and people who are in other lines of business want to go into this line where a good profit is realized. It ~~thus~~ comes about that the prospect of a special gain draws additional labor and capital to the point where profit is realized, more and more goods are made and, in the end, they have to be sold at natural prices. If there is a “boom” in cotton goods, more and more of them are put upon the market, lower and lower go the prices and all special profit vanishes. The goods are still sold for about enough to pay the wages of all the laborers, the salaries of all the managers, the insurance against all risks, and the interest on all the capital at the ordinary rate; but that does not leave a net surplus that

will attract any more capital. This was our old philosophy of prices, and it was a very good one under the old conditions. In a way it is good in principle still; but not all prices now hold at that rate at which nobody makes any net profit out of them. Do you think that when you pay the bill for some article manufactured by a trust you do not put into somebody's pocket more than the wages of labor and the interest on capital have taken out of it?

The trusts are fond of advancing prices. They have to do it by reducing the output of their goods. If they did not reduce the product they could not advance the prices. There is an old proverb about leading a horse to water but not being able to make him drink; you might offer any amount of goods to the public at a high price but you cannot compel the public to buy them. If, however, you cut down sufficiently the amount that you have to offer, the public will buy the goods at the higher prices; and so it comes about that the trusts diminish the output of the goods, holding it down to an abnormally small amount, in order that the prices may be held at an abnormally high figure.

Then there is a problem concerning the wages of labor. We had once an exceedingly simple philosophy of wages, which taught us quite correctly where competition may help the laborer. Where many manufacturers are seeking labor as well as many laborers seeking employment, there is a play of forces which gives to a man approxi-

mately what he is worth to an employer—that is, what his presence adds to the output of a mill. Can that be altogether true under a régime of monopoly? If the manufacturer puts up the price to a certain level so that a workman really creates more in his mill than men create elsewhere, does he pay extra wages? He pays the market rate, and that is less than the men are worth to him. Possibly, if circumstances make him liberal, he may secure the favor of his employees by giving them wages corresponding, in a measure, with the special and extra value which they have in his mill. It is probably true in the history of a considerable number of trusts that they have paid their workmen just a shade more than such workmen could elsewhere get. The trusts get a rather high price from the public and share gains, in some degree, with their men. Paying one class of laborers a little more in the way of wages than others can get is, indeed, a good thing for the particular workmen who happen to be in a position which enables them to get such a favor. A corporation may adopt this liberal policy of its own volition or may be compelled to do it by a strong trade union. But how about laborers altogether outside of the domain of the trusts? Can they get higher wages than formerly prevailed? On the contrary, they get lower real wages measured in food, clothing, furniture, house room, etc. They have to buy these things with money and the prices of them have risen. Moreover, it is probable that

the wages of most labor, even measured in money, are made smaller by the influence of monopoly. Unless a man is on the inside of the favored circle he has to thank monopoly for some reduction of his real income.

Very great will be the transformations that will come if ever these monster-like corporations shall have full possession of the field of industry. As yet they are very far from this goal; nevertheless, they have enough of the field to throw society into an unnatural state. Even political life is disturbed, and neither elections nor law making can go on in a natural way in the presence of great monopolies. We cannot now go far into the domain of politics. We shall have enough to do if we try only to make a cursory study of the economic action of great corporations. But there is as little doubt as there is about anything in human affairs that their presence in politics is very baneful. This is "a government of the people, for the people and by the people," is it not? Do not we elect our own officers at our pleasure? We cast our votes and, for the most part, our votes are counted. The percentage of those that are not counted is small, and if voting were really ruling, this would still be the type of government which Abraham Lincoln believed he had seen forever established, a genuine people's state. But I notice that when I am invited to vote I have not a very large selection of candidates to choose from. Somebody else does the nominating, and if he makes me choose between two of

his own men, how much does the voting amount to? There is something which we call a machine which puts candidates in nomination, and without assuming to know very much about the workings of these machines, or to talk about them in this discussion, we may admit that their workings are not altogether uninfluenced by the power of consolidated wealth. Corporations have something to say as to what the political machines shall do; if it should ever come to this, that corporations should control the political machines, that the machines should control the nominations, and that the people should only be invited to ratify these nominations, how much would be left of democracy? In particular where should we look for a power able to regulate the corporations? Not to mention the federal government, we should only have to let the state legislatures become the property of the trusts in order to cause every effort to control the trusts to present the appearance of a vicious circle. To curb the power of corporations we should apply to legislatures selected by party machines owned by corporations. Thank fortune, there are powers still left in the state which massed capital does not own.

For the preservation of much that is dear to us we must control the government sufficiently to make it control the corporations, and some day we shall manage to do it. Some day we shall find out what needs to be done, act on the knowledge and compel our legislators to make

laws—not to smash the corporations as some legislatures have tried to do—but to control them. We shall get the full benefit of their magnificent strength and make them do good and not evil. Infinitely harder is it to control them than to smash them, and the task that is set for us is that of letting them live and work without sacrificing to them our economic and political freedom.

It is well to notice the chief cause of the growth of these great powers. In 1776, a date which curiously enough appears to coincide with the beginning of the independence of the United States, Adam Smith, the most discerning of the economists, came to the conclusion that corporations never could play a very important part in this world. He said they were not so efficient as private employers and called attention to the fact that the corporation has to be managed by a hired officer, that the stockholders cannot oversee their business and that hired managers never care for it as well as owners would do. The most painstaking manager of a business is the man who owns the whole of it himself. A great deal would slip through the fingers of the salaried superintendent which a private owner would hold. While, therefore, Adam Smith thought that there would be a few large enterprises which would require more capital than any private owner could furnish, and that these would call a few corporations into being, he concluded that there never could be very many of them. The field as a whole would,

he thought, continue to be occupied by individual producers, who would own their own shops and control everything by close personal supervision.

It has not worked in that way. Something like seventy-five years after Adam Smith stated his conclusions another great economist, Mr. John Stuart Mill, discussed the prospects of the corporation. He concluded that Adam Smith had underestimated the efficiency of corporations. In the interval between the time of Smith and that of Mill, railroads had come into being and had attained a considerable growth, and Mr. Mill concluded that individuals would never build many railroads, though he thought they would still build and run the factories and the shops. Aside from railroads and steamship lines and a few other departments of business, which would gravitate into the hands of corporations, the majority of business would still be transacted by individual owners and by partners. Mill's expectation is far from having been realized. The problem now is not whether the corporation can survive in competition with individuals, but whether in many lines of business, anything can survive except the corporation. A great consolidated company has the individual producer pretty much at its mercy.

The hundred years following Adam Smith's time would be characterized by most people as an age of incomparable progress due to the introduction of machinery. At the beginning of that century most articles were made by

hand. The little grist mill and the saw mill were to be found, and falling water turned millstones and drove saws in a primitive way. There were pumps for mines and a very few other applications of power calling for rude and simple machinery. At the end of that hundred years, in 1876, how much of the field was left for old-fashioned hand processes? Some things are still done by hand; but into the making of almost everything there enters some machine work, and in the case of most things it preponderates. Hand workers, so-called, put together things that are prepared by the machine. What we call building consists of hand labor to a large extent; but the final construction is merely assembling materials that are made here and yon in mills. Once all the building was done on the spot by hand labor, and though some raw materials were partly fashioned by machinery this was carried little farther than to the sawing of lumber. There is, however, a much greater proportion of hand labor in building than there is in manufacturing. Almost everything that is sent by the freight trains over the country and in ships over the world is the product of machine labor, and hand labor does little toward making it and less toward carrying it.

Now this transformation which took place between 1776 and 1876 occasioned a much greater amount of disturbance and a more thorough reconstruction of society than can ever again be occasioned by such a cause. We



shall still continue to invent and apply machines, and we shall still cause the more efficient appliance to take the place of the less efficient; but any change as radical as the putting of a machine into the place formerly occupied by a great body of hand laborers we shall seldom again be able to make. There are countries which still have that change before them. That is true of much of Asia, and when we send American products there we start a movement which will end in the making of such products in Asia by American processes. Mere trade, traffic in goods, is only the beginning of the transformation that is coming. The Chinese empire will go through the transforming process through which our country has already gone. China now does nearly everything by hand; but after a time—long or short, as the case may be—it will learn to make use of machinery; and then as we study the Asiatic problem, we shall see something that we scarcely dream of now, a vast increase of manufacturing in the densely populated lands of the East. They will supply their own markets with such products and may even, in time, send them into ours.

The general transition from hand labor to machine labor has, in our own country, taken place once for all. We already have machinery employed on such a vast scale that the most we can hope for in the future is the improving of machinery and the extending of its field a little here and a little there. It is the making of comparatively minor changes instead of sweeping and revolutionary

ones. The introduction of great numbers of labor-saving devices was the disturbing fact of the first century of our republic. It threw men out of their accustomed employments. Mills were set up which made, even with the rude machinery of those early days, far more articles than hand labor could make, and the artisans' field of employment was abridged. In due time George Stephenson made his locomotive and Robert Fulton built his steamboat, the *Clermont*, which went puffing up the Hudson at no rapid rate, but at a rate which in the end transformed a world. Locomotives and steamers have caused the earth to shrink to small dimensions, and have made it possible to go around it for a small outlay and to send goods around at less cost than was once involved in sending them from one English county to another. The reduction of freight charges on railroads and steamship lines has made habitable the great areas of the North American continent, and has opened new and rich fields of employment for those who were displaced by machinery. As Hargreaves, Arkwright and Crompton, by their textile machinery, displaced the hand spinners and weavers, Stephenson, by his locomotives, made accessible homes for them in the Mississippi valley; and at the end of a hundred years there was not, in the enlarged area, a greater percentage of idle labor than there was in the small area at the beginning. Nevertheless there was an enormous displacement and relocation of labor during the process. It meant a vast

ultimate gain secured at the cost of immediate hardship. Exactly that type of hardship is not before us. Such a wholesale disturbance will, in all probability, never again take place.

It remains to be seen what further effects machinery can produce. The machine—and particularly the locomotive—has been what we may call a great promoter; it has been a great consolidator of business establishments and has caused large shops to be so economical as to drive out a multitude of small ones. Even if manufacturing were still done by hand the big shops would be economical, but they would not drive out the small ones. In flour-making cities such as Minneapolis great quantities of barrels are made. The staves may be made elsewhere by machinery, but putting them together is one of the surviving hand processes. In this branch of industry there is not the great and decisive advantage on the side of the big shop. Coopers can still work in little shops standing under the shadow of big ones. If the whole process of making barrels shall come to be done by machinery the big shop will have this field to itself to the same extent that it has others. Where any product is made by machines and sent into a general market, size gives an enormous competing advantage. The flour that fills the barrels cannot be made in small mills; and flouring is not the industry in which mere size of plant gives the greatest advantage. The large mill can usually sell its product more cheaply than

the small one can make it. The cost of oversight is far smaller per unit of product, for a man can oversee a large mill about as well as he can a small one; and, moreover, he can use cheap labor and dear labor in such ways as to get the most from them. A small mill has to have all-round men whom it can shift from one employment to another; but the great shop has men who are highly specialized and do not have to be shifted. It employs women, and to some extent, boys; and it effects economies which are decisive in the competition with small mills. Little chance for survival has, as a rule, the small establishment, except in the sheltered corners of the field where it can cater to local demands and take orders directly from consumers. If you are making only one article of a kind, it is cheaper to make it in a small shop and perhaps even by hand. There will always be places where the small shop can survive; but the big shop will have the general field and that by reason of its power to make and sell things cheaply.

Now it is not comfortable for the owner of the small shop to be driven out of business by the big ones; but it is good for the public to have that shop survive which will sell the goods at the lowest rate. (In the long run even the man who has lost his position as an independent producer very often is able to get something to do which is better for him than what he had before.) If he is lucky enough to become a manager of a successful mill it is better than

to struggle along as proprietor of an unprofitable one. He has really been promoted in the industrial scale, and while I am not claiming that the man altogether enjoys the process and welcomes extermination as an independent producer, I am claiming that the general results of the survival of the big shop—if that has come about by the honest process of offering goods cheaply—are good for the public, and are often not bad for the man immediately affected. Unhappily the big shop does not rely on such fair competition.

Unhappily it has other ways of exterminating the small shop; such, for instance, as getting special rates for freight on the railroads which the small shop cannot get. The big shop has nearly always been able to get an advantage over the small one in the matter of freight charges and that single advantage is sometimes large enough to decide the whole matter in favor of the big shop.

Now some people have drawn a comparison between America and foreign countries—for instance, Germany—in the matter of trusts and have told us that trusts are as numerous in Germany as they are in America and that no one there finds any fault with them. There is, however, one enormous difference between the position of a German trust and that of an American one, in that the German Kartel cannot get any special favors from roads, while American trusts can do this. In addition to the advantage which the big company has by its mere size, it has

a further advantage—an altogether illegitimate one—in the reduced rates of freight which it is able to command. An alliance between the railroads and a great producing company is certain to be fatal to any effective rivalry on the part of a small one. After one hundred years of growth of big shops by a perfectly natural process, we have come upon a period of consolidation and growth by an abnormal process; and it is this that troubles us.

The consolidation of competing shops comes about when the small ones have been exterminated except in out of the way corners of the field, and when the surviving large ones compete with each other so fiercely that no one of them can make much. At such a time competition works to depress prices even more than it did under earlier conditions. When the struggle is between fifty great shops, all of one kind and all very efficiently managed and equipped with the latest machinery, there is even less chance for making profits than there was when there were a thousand little shops running each in its own local field. It is a struggle for custom in one general market that creates a fierce cutting of prices. In early days a shop in one corner of the country was not felt as a dangerous competitor in another corner of the country; but now with the output of all the shops so great, it is possible for any one of them to seek markets all over the country, if not all over the world; and in many an industry we have a product large enough to justify the owners in sending canvassing agents

hither and yon over vast areas. The territories of the different companies overlap each other and they have had to resort to every sort of device, not merely to open up new territory, but to get away territory from each other.

Advertising has played a large part in this work, and the traveling men have been the most costly part of the advertising. There was a time when in certain kinds of wholesale business it was sufficient for a "drummer" to visit the customer once in three or four months. Any order that a customer had to give between the visits could be sent perfectly well by mail, and seeing the customer three or four times a year sufficed to retain his trade. But the eager determination of different producers to get away each other's customers caused some of them to send the traveling men more frequently, and so it came about that they had to visit every customer about once in two months. Still the process went on as they struggled to get away each other's territory, and at present in many lines of business, a concern cannot count on holding its trade unless its traveling men see the customers every two weeks, while weekly and semi-weekly visits are not unknown. This terribly wasteful process is accompanied by eager bids in the way of discounts to customers, till such competition cuts profits down to little or nothing. As the competitors become fewer the opportunity for uniting them in a great consolidation becomes better.

There is a tenfold desire to stop this cut-throat competition and it is ten times as easy as it would once have been to do it. The last quarter of the nineteenth century has been the beginning of an age of consolidation; but it is a type of consolidation unlike that which went before it. It does not come about by straightforward and honest competition, but comes rather by the extinction of competition—by the uniting of competitors not only in order to save costs, but also to keep up prices and make larger profits. A newspaper founded to record the progress of machinery, called itself The Age of Steel; and this was a fitting designation of the century from 1776 to 1876. If the trusts of to-day dealt fairly with their competitors and had no advantage over them except that which comes from better machinery and greater economy, the phrase would describe the time we live in. If the trust's advantages come from evading laws and securing illegitimate favors we shall be tempted to use the descriptive phrase giving to the last word a different spelling. It is a time of vast opportunity for men whose aim is to prey on the public. Is "honesty the best policy?" In the long run, Yes, provided that the people take wise measures to make it so; but in a time of imperfect law and of very lax enforcement of law unscrupulousness has been a lucrative policy. The public feels the effects of this and working people who do not happen to share any of the monopolistic gains feel them. Political life feels the blight of it



and there has taken place in society a moral transformation which puts men on a lower plane of character at the very time when there have come into use wealth-creating devices that ought to lift us morally and intellectually to a higher plane.

All this brings us clearly face to face with a very serious problem—whether we possibly can control the great political forces which economic forces have created. For the whole political and moral evolution was inherent in the machines that replaced the hand labor of former times. You would not have had the trusts in a régime of hand labor; you would not have had the enormous mills that united to form the trusts. It is the machine that has made the size of a mill so important and has made it impossible for any but the big one to survive. The fact that only a few did survive first caused those few to compete so vigorously with each other that they made almost no profits, then enabled them to save their profits by consolidating and finally incited them to seek, besides legitimate profits to which they had a perfect right, an income not founded in justice and one to which a harsh term may correctly be applied. It is fair to say that this whole enormous transformation, which runs through the plan of modern industry, and through the relations of employers and employed, which enters into and perverts our political life, and even lowers the moral tone of society, was inherent in the original steam engine which Watt

manufactured in England more than a century and a quarter ago. It was all brewing in that tea-kettle which as a boy he sat and watched, noting the force of the steam as it raised the lid and let it fall. He saw that the force might be put to great account in driving such primitive machinery as he knew of; but he was far from foreseeing the transforming effects of the innumerable machines which his engines were destined to make available. No one for a hundred years thereafter realized their full economic and political consequences. The boy may have . seen, as he watched the kettle, the outlines of a big pumping engine working with greater economy than any such engine had thus far worked; he did not see the big textile mills that were soon to be working in England. He did not see the enormous steamships of to-day. He did not see Stephenson's locomotive, not to speak of the great lines of railroads that were destined to be built on unoccupied continents and scatter the surplus multitudes of the earth over them. Very far was he from seeing the ulterior effects of the growth of the big shops—the transformation of social life, the perverting of political life, the submitting of democratic institutions to a terrible strain, and the uncertain problem which we find ourselves trying to solve: whether, after all, the people can continue to do their own governing. [Would you say that the steam that raised the lid of a kettle and let it fall threatened democratic institutions?] At the outset you would not have

said so, but now you see that it did. From that economic application of physical force influences have followed which have put an end to small industry and to the old type of democracy. Can we save our democracy under a new form? Can we control the genie that has come out of the box we have opened? That depends on the question whether, as a people, we can regulate and guide the gigantic forces that have come into activity. That is the problem which we have mainly to consider: what can we do with modern monopolies? Can we do anything with them? Will they rule us or shall we rule them? It is essential to perceive that it is not the problem whether, if it comes to an out and out fight, we can or cannot crush the monopolies. That we can do if we must; for it is usually easier to smash a thing than to shape it to your mind, and if there really were an ultimate test of strength—if we found the monopolies out and out unendurable, if we found them really threatening our liberties and concluded that the only thing we could do was to destroy them, we could and should do it. The people have at different times in history succeeded in doing a great deal of such destroying. We know well, however, that that is not what in our own interest we ought to do. We know already that the real problem for us is to get the benefit of the producing power which these enormous consolidations have, to make them work for us instead of preying upon us. We need so to control these gigantic monsters

as to transform them into beasts of burden instead of predatory animals that make our living insecure. Can we do that? Can we throw to the winds the idea of doing a destroying work and save what is good and stamp out what is evil in these great consolidations? Can we make beneficent the very things which threaten our liberties? Can we make their economic action beneficent, inducing low prices and high wages instead of high prices and low wages? That is the problem that we have before us and momentous though it be, it is not insoluble.

## CHAPTER II

### THE SOURCES OF THE CORPORATIONS' POWER FOR EVIL

It is time to inquire what can be done to curb the power of monopoly and to make it useful as a producing force. The productive efficiency of the monster corporation should enable us to make goods more cheaply than we can otherwise make them, and to export them to foreign markets. The trusts can help us to become a power in the commercial world. This service we can get from them if we are successful in managing them; and we do not want to sacrifice it by unduly crippling them. Nevertheless, it will take a great deal of managing; for the trusts will certainly not look with favor on anything whatever that curtails their power to raise prices. They have influence enough at present to defeat such efforts as are making to enlist the government vigorously in the work of regulation. Among the properties which they own is a certain class of legislators.

Now before we proceed with the inquiry how we can curb the power of monopolies, it is worth while to make very sure that this power needs curtailing. Many of us can recall the time when it was claimed by many an honest business man that trusts might safely be let alone. What

harm were they doing? Were not prices low enough? Were not wages high enough? Were not we getting along well in spite of the monsters? Was not the price of kerosene oil as low as it ever had been and was not the Standard Oil Company as able to do evil, if it wished to do it, as a corporation could ever be? If trusts make products dear, why should not the price of oil go up? It did indeed occur to us that the real question is not whether oil was as cheap as it formerly had been, but whether it was as cheap as it might at the later time have been if there had not been any trust. If the Standard Oil Company did not stop the outflow of raw oil from the wells, it was quite natural that the price of both raw oil and refined should go down, even though the monopoly was getting a stiff toll for refining and carrying it. The Standard Oil Company got the credit for making the price of oil low when, in reality, it was the power of nature that did it by thrusting on the market an abundance of the raw material. Now that oil retails at fifteen cents a gallon this old argument is no longer heard. It is the natural tendency of all monopolies to raise the prices of their goods. They shut up some mills in order to keep down the supply and make a large profit on whatever they offer for sale.

What would a trust do if it were a complete monopoly? Of course we can look into recent history and see what the trusts have done and we shall then find that they actually have put up prices, and that they have done it

by curtailing production; but in the nature of the case should not we have known that they certainly would do that? What is a monopoly for? Why does any one want the exclusive privilege of selling anything? If I am the only one who has some necessary article for sale, and you have to buy from me or go without it, and if I am working "for my own pocket all the time," should not I necessarily charge you a rather round price for what you get? That is human nature and we have had a chance to observe that there is a great deal of human nature in the managers of trusts and that not all of it is even of as creditable a sort as that which merely charges for its goods what the traffic will bear. A trust will get as high prices as it can with safety for itself, and the problem is, how high can prices be put and yet be altogether safe? Why, if the trust were a perfectly secure monopoly, so that nobody else could possibly enter its field, it would have one very simple rule for making prices: it would make them so high that the net profit of the business would be as large as it possibly could be.

If we put the prices up, up, and again up, we begin to find that the purchases of the goods are falling off so seriously that it will not pay to put them any higher. Before the falling off of the purchases becomes very serious prices can become high enough to afford a very fat profit. A perfectly secure monopoly would not raise prices indefinitely, but it would tax the public to an in-

sufferable degree. Such monopolies as have existed by the assistance of the government have charged exorbitant prices; and it is the nature of the trust to do this if its position is secure.

Now, if prices are made high, does not that necessarily mean that wages are made low? If the trust shuts up mills in order to raise the prices of its goods can anything happen except that the men who are in those mills have to go elsewhere to seek employment? Will not that somewhat increase the competition for employment in other fields? Wages in the other fields will be somewhat lower; and that fact may well make us unwilling to accept the verdict of observers who have gone to the villages in which the mills of the trusts are located and asked the employees there whether they are satisfied with trusts or not. Not long ago such an inquiry was made and the results were published. A man went about visiting villages in which were mills belonging to trusts and conversing with the men who were employed in those mills. He found them generally satisfied with the treatment they were getting. The trust paid good wages, provided good places to live in and, on the whole, was a good employer. The facts might not be quite so favorable now; but at that time the employees, for the most part, liked the trusts and considered that they had more constant employment and somewhat higher wages under them than men got under other employers. Should we, however, be satisfied with evidence



of this nature as a complete proof that the trust is good for wage-earners? Clearly not. What it shows is that, inside of the domain of the trust, there may be good places in which to work, but that outside of it the field cannot possibly be as good as it would otherwise be; for if the trust shuts up some of its own mills and sends men elsewhere, they certainly cannot earn as much as they have been earning. It is, therefore, the nature of monopoly to reduce wages as well as to raise prices. The doubtful problem in regard to the modern trust is whether it is a complete monopoly or not. Does it or does it not entirely exclude competition from its field? This is the vital question.

These corporations are not necessarily monopolies, and by wise action they can be prevented from influencing either prices or wages for the worse. It is possible to suggest laws, which, if made and enforced, would take the monopolistic character out of the trust while leaving unimpaired its great power of production. That policy would leave it in a condition to make things cheaply, export them freely and give us a certain dominance in the markets of the world; but it would take away the power to drive competition out of the field. As a matter of fact, the trust laws that for the most part we have upon the statute books are a latter-day repetition of some laws that hundreds of years ago were in force in England and were designed to prevent the formation of co-partnerships in

business. The time was when the public in England was as much afraid of the formation of business partnerships as the public to-day is afraid of the formation of trusts. Most of the manufacturing of that early time was done in little shops, where a master workman gathered a few apprentices and journeymen about him, worked with them himself and put his own products on the market. Each master workman was independent and each one of them sold his goods in a limited area. Only a few exported them. Some who happened to be located on navigable streams and had larger shops than others, sent their goods to a considerable distance, and some sent them out of the country; but for the most part the trade of these shops was limited to the district in which they lay. "Now," said the English law maker, "if two or three of these master workmen club together, they will extinguish the competition that formerly existed between them and will be able to charge us unjust prices." But partnerships were formed in spite of the law, and it was discovered that the prices of goods did not go up. In the first place, not all the master workmen in the village formed partnerships, and, moreover, as similar goods could be bought in neighboring villages, no one was oppressed. The partnership did not make prices high, and the conclusion was reached that it was safe freely to allow them.

Now the position of the great corporations in a country like the United States is much like that of a master work-

man in a village, who sells his goods only in the neighborhood. Most of the corporations in America sell the greater part of their products within the country. Some of them, indeed, are rapidly increasing their export trade, but the greater portion of what is produced in the country is still sold at home. Suppose, then, that we have fifty mills of a kind—and in some lines of business there are many more than that—the danger is that they will form great partnerships and will have the country at their mercy. But it may well be that the same thing will happen within the broad area of the country that formerly happened within the limited area of the village: there may survive a number of corporations outside of the trusts, and that might help to keep down prices. Moreover, it might be possible for us to go for goods into neighboring markets and that would help to control prices; and so it might be possible to have large trusts existing and prices still remaining low. If this were the outcome no one would need to trouble himself about laws to break up trusts.

We come here to a really serious difficulty. Suppose that a partnership is formed in a village, that the master workmen are all gathered into it, that some other master workman moves into that village and that they burn up the newcomer's shop, treat him to the "slugging" argument, and find effective ways of "persuading" him to go somewhere else. Then there is a real monopoly. Now the problem and the only grave problem in the case of our

modern consolidations is: do the trusts exercise any such power as this? Can they, in any sense, club off, frighten off, or in their own rough way, send off, the competitors who enter the field? If the market is open to competitors and if they are all the time coming in spite of the trust, prices will be low; but if competitors do not dare to come, if the few that do come have severe lessons taught them, and others, in prudence, stay out, the trust has a clear possession of the field. Then prices will not be low. Wages may be so, but not prices. It all hangs on the question whether competition does survive in spite of the trusts—whether they have any weapons in their hands whereby they can extinguish competition when it arises.

As a matter of fact they do have them. They can make it exceedingly uncomfortable for the independent competitor. The first and most serious weapon that they have is secret arrangements with railroad companies. The oldest and strongest trust in the United States was built up from the beginning by virtue of rebates on freight which its competitors could not get. If the trust to-day can get materially better terms from railroads than one of its competitors is able to get, it will go hard with that competitor. The trust will have him at its mercy. It may tolerate his existence if it thinks that it will not pay to attack him so long as he does a small business, but if the competitor is doing a large business, then an

attack upon him will pay quite well, and I would not like to be financially interested in that competitor's success. The mere fact that the trust can get rates which competing corporations cannot get is often sufficient to enable the trust to crush competition at will.

That does not forever end it. We are trying to deal with railroad problems and are sometimes sanguine enough to think that there will be a golden age in which we shall manage the railroads instead of having them manage us. I confess that I live in that hope myself, but do not look for great success along the line in which we are now operating. We are trying to prevent discriminations of rates upon the railroads, which are one of the chief means of strengthening the power of trusts, but, as we shall later see, we are leaving the roads in a position which affords a great incentive to evade the law. We shall, in due time, see how this incentive may be removed.

Favors from the carriers are not the only means of supporting the power of monopolies. The trust, even if it paid the same freight rates that its rivals pay, would have a terrible weapon in a competitive war with any small corporation whose operations were confined to a portion of the country. Suppose I am selling goods only in New England, and I come there into competition with a trust which is selling them all over the United States, and even exporting them to other parts of the world. The trust is annoyed at my competition and begins to put

down prices in New England while it keeps them up everywhere else. I do not have any other market to sustain me and I follow the prices of the trust down, down towards cost. If I do not make overtures to the trust or offer to sell out to it, the prices are likely to go below cost; and after a little discipline of that sort I shall go out of business. The trust will have lost a little money in driving me out of business; it may have sold at a sacrifice a few of its goods in the district in which I am operating; but it has been making money all over the rest of the country and getting rich, while I have been seeing my capital slip away from me. The power of local discrimination, the ability to sell goods cheaply here and at high rates elsewhere, is a dangerous power in the hands of any great corporation which is operating in a great market. That of itself has again and again been used to crush out the competition of small but flourishing and worthy corporations operating in local parts of the great field.

That is not all. The trust has the power to say to any purchaser of its goods: "You must buy your goods altogether of me; if you buy goods from anybody else we will do two things, either one of which is sufficient to crush you. We will refuse to let you have any of our goods and will give all of our goods to a rival; and, if this is not enough, we will instruct this rival whom we are setting up against you, to sell goods so cheap that, no matter from whom you buy them, you cannot make a dollar. You will

have to lose many dollars on that part of your business.” Here is somebody who has been buying goods, let us say, by way of illustration, from the American Tobacco Company, and a rival producer has come in whom the merchant likes to patronize. He buys goods, for a time, from the rival and an agent of the trust sends him a note to the effect that he must not buy any more from that rival corporation; that, if he does so, the trust will give all of its own goods, some of which the merchant is obliged to have, to another agent. That alone will probably bring the dealer to terms. Quite likely some of the articles which the trust controls are sold under brands that give them a great market. The public insists on having these brands, and the man who does not keep them is fatally handicapped. The power to make a “factor’s agreement,” giving to certain dealers either the exclusive handling of the trust’s goods or special discounts which others cannot get, is an effective weapon in the hands of the great corporation. If it is used in the case of most retailers an independent producer will scarcely find anywhere a market for his products.

This, again, is not all. Big corporations have further resources for warfare against small rivals. Sometimes they make many kinds of goods, while a rival makes only a few. If, then, a trust cuts prices on the few varieties which its rival makes but charges a large profit on the other kinds, it can make money itself while it is extermin-

nating its opponent. The small producer must meet the cut in prices on *all the goods that he sells*, and that will soon make an end of him. When cut-throat competition takes the shape of putting prices very low on one or two things, which are all that a small manufacturer makes, it is not necessary to resort to the factor's agreement at all. That is a convenient further weapon if the trust chooses to bring it into requisition; but it does not need to use it. In most cases the trust can crush a competitor without it. Let the price go down on all the goods which a rival makes and stay up on most of the goods which the trust makes, and the thing is done.

In these various ways it has come about that the field is not a safe one for a competitor to enter and the trust has the most of it to itself. It is able to sustain prices at such a level that, if the field were safe, many new producers would be lured into it, and we should have all the competition that would be useful or desirable. The trust can get a monopolistic price because, by virtue of these different clubs which it holds in its hands, it can drive out, frighten out, worry out or kill off any competitor who may be bold enough to enter the field.

Now this gives us a starting point for the inquiry: What sort of legislation do we want if we are going to keep the trust, make it a useful thing and take away its power for evil? It so happens that almost all the legislation we have—and we have a great deal—is designed to



break up the trusts into smaller corporations. It is a natural reassertion of the old common-law principle that a combination in restraint of trade is contrary to the public interest and unlawful. It is based on the common-law antagonism to monopoly and on a hasty inference that these big consolidations are necessarily monopolies. If they were so, the laws would be founded upon the right principle and ought to be supported. The anti-trust laws of such states as Arkansas and Texas, which go to the very limit of severity, ought to be duplicated in every state of the Union; and they ought to be supplemented by federal laws of equal severity. Experience is putting the country through a rapid and efficient course of instruction; and in due time it will be generally known that suppressing every kind of combination is far from being desirable, though it were never so practicable. If we could break up a corporation that has a billion dollars' worth of capital into a hundred companies with ten million dollars each, we should not solve the problem that is before us. In the first place there would still be ways by which the companies could come to an understanding with each other; and in the second place the new condition would not give to the producing companies as much efficiency in the way of serving the public as they might easily develop if they were united in a firm consolidation. We want to keep all that efficiency and increase it. In somewhat reducing a

power for evil we do not want to abate a jot of the power for good that is bound up with it.

The difficult thing which we should do and must do is to preserve all the power for good and to crush the power to do evil. We must compel these monsters of industry to give us as low prices as free competition would give us. We must make them sustain wages at an even higher level than they would reach if no trust existed. What we can already see is that if it were only possible for competitors to enter the trust's field and not encounter commercial slugging the trusts could not greatly tax us by their exorbitant prices; and it will soon be equally clear that they would not depress wages. The prices of the goods a man buys and the amount of pay that he gets for his labor would be legitimate; and he would have before him an outlook for more comfortable living as the years shall go by. This great boon is contingent; for it depends on our own wisdom in legislating and on our determination in enforcing the laws we make.

## CHAPTER III

### GREAT CORPORATIONS AND THE LAW

Natural prices are cost prices. Competition tends to secure what the interest of the public requires: that goods should be sold, in the long run, as cheaply as they can be sold and still afford wages for all the labor that is used in making them, fair salaries for all the managers of the business and simple interest on all capital that is used. Business losses have, of course, to be taken into account; they come irregularly and the business has to provide a sinking fund from which to meet them before the real returns of the business begin. The sum I lay aside this year and next with the expectation that it will just suffice to meet a loss coming in the year after, is no part of my income for the first two years. Net returns, in the absence of any special advantage which a business may enjoy, tend to settle down to the standard above named—enough to pay wages, including salaries, and interest.

A trust that had a secure monopoly in its line of business would get more. It would tax the public by charging unnaturally high prices. But a trust that had no secure monopoly might conceivably sell goods at even lower prices than a large number of small competing

concerns would do. It might be compelled, in its own interest, to put the prices of its products below what it would cost small shops to make them and very near to what the making would cost in large shops.

It all depends on whether the trusts have the power to deter competitors from entering their field; if they have this power they will get monopolistic prices, but if they do not they may even establish the most favorable of competitive prices—those, namely, which will pay only wages, salaries and interest in large and well-appointed establishments.

A trust's competitors in these days are apt to be well equipped. This is not a universal rule, for some antiquated mills may be allowed to run, usually in out of the way corners of the field; but a new mill that is built to compete with a trust in its own market would be audacious indeed if it did not have the latest devices that are known for making goods economically. By virtue of its consolidating of many such establishments a trust that has been long established, and has been managed with a view to economical production and not speculation, may come to the point where it can make the goods even more cheaply. If so, it can sell them at what it costs the rival mill to make them and still have a net profit. Such a profit due to the sheerest economy would be the most honestly earned of all profits, for it would come about solely by virtue of supreme efficiency in serving the public. The trust, under

these conditions, would be doing what no other agency could do in the direction of making products cheap.

The difference, then, between trusts that can destroy their rivals as fast as they appear and those that cannot do this is world wide. It makes the entire difference between a system of monopoly which would be worse than feudal in its exactions and a system that, in spite of vast consolidations, preserves the essential qualities of a free system open to all enterprising employers, and affording both fair prices to consumers and fair wages to workmen. There is everything good in sight for a country which can and will thus preserve the essentials of economic freedom; and there is everything evil for one which can not or will not.

We have, in this, a clear indication as to what is desirable in trust legislation. What is practicable is a further question, but there is no uncertainty as to what we should secure if we can. We should stop "predatory" acts of the trust. We should give its rivals a fair chance to survive, provided that they demonstrate their right to survive by producing goods cheaply. As to the practicability of securing this, the best test is afforded by experience, and it is therefore clear that, before we carry much further the trust-crushing policy—before we make any desperate effort to "smash" the trusts or to divide them and to break them up into many little corporations, it is in the highest degree necessary to ascertain by a thorough

experiment whether we cannot preserve their existence while destroying their power for evil, retaining their power for good.

If we try this, the very first thing we have to solve is the railroad problem. The favor of a common carrier is as dangerous to the public as it is welcome to the trusts. We have to prevent the railroads from giving low rates of freight to the enormous corporations and charging high ones to other corporations, or to individuals. We have to make the common carriers in our country treat the public fairly and equally, as they do in those countries in which the railroads are the property of the state. Now when I have said that, I have suggested at once that one way of getting what we want would be to take the railroads directly into the hands of the state; and a great many people whose opinions I respect are in favor of doing this. I should not be in favor of doing it until I had tried another plan. It would be only after every promising expedient had failed that I should think it necessary to resort to this one of public ownership. If there were no other way of securing for all competitors fair and equal treatment by the railroads, if we had tried every intelligent experiment in the way of railroad regulation, if we had experimented long and carefully, but quite without success, then the vote of the people of the United States would undoubtedly be to take the railroads into their possession. Nevertheless there are certain things

that we can do before we come to that, and there is reason to believe that these other measures will succeed, if they are tried intelligently and earnestly.

It is very hard at present to prevent a railroad from discriminating in its charges. If a line can make a secret contract with a producer who has an enormous amount of freight to ship and can get that particular freight, which is so important, into its own control, it has done a very important service to its stockholders, and the temptation to do it in a secret way and in spite of all prohibitions is very strong. Railroads are not remarkable for resisting temptation to break the law when this is profitable and safe. It might be possible to make the breaking of the law more dangerous than it now is. It might be possible first to give the Interstate Commerce Commission more power than it now possesses and enable it to require uniform and intelligible accounting, so that people could find out what railroads really do charge; and it might further be possible by some use of crude force to compel the railroads, in spite of their own interest in every direction, to give everybody fair treatment. But this would require a long, hard and discouraging struggle, and it so happens that this is not the only thing that can be done. The temptation to give secret rebates is entirely due to the fact that there are rival lines which are not now pooled or consolidated. If they were working as a single line and dividing profits, it would not make any difference

whether the great shipper sent his grain or steel or oil by this line or by that. The packers of Chicago, who have their many train loads of freight to ship every day, could not get any special favor by playing off one railroad against another if the lines were all united, for then, whichever railroad carried the freight, the profits would be divided among them all.

Pooling removes the chief temptation to make secret rebates; and where there is no great temptation to disobey a law, even a "soul-less" corporation sometimes obeys it. The temptation makes the trouble. As there are very few carrying corporations that will not disobey a law when they can do it safely and make something by doing it, there are very few that will disobey it when it is at all dangerous and they can make nothing by it. On the whole, it is comfortable to be honest even in the capacity of a common carrier, and if we let railroads unite we make it easy for them to be honest.

But if we do this do we not jump from the frying-pan into the fire? Will not a system of consolidated railroads put up the rates of freight and passenger traffic for everybody? Would not this create a very paradise for the railroad magnate? He would only have to treat everybody alike in order to squeeze them all *ad libitum*, but he would treat them all alike. A carrier with *carte blanche* to make charges all alike high could get very rich. He could charge double or quadruple rates to everybody, in



most comfortable security, and revel in more than Croesus like revenues.

To legalize consolidations is to create at once the necessity of regulating the general level of freight charges. The railroads cannot be allowed to make their own freight schedules as they please if they are all in a firm combination, and the state which permits pooling and consolidating will have to draw a line above which freight charges shall not go. And now I am coming to a point where the railroad managers will agree with me, namely the difficulty of making a satisfactory tariff of charges for short hauls and long hauls and for every kind of freight. It is a complex business and it will even be claimed that the state cannot make a workable schedule. Public officials would make bungling work of classifying freight. In the first place, it will be said, they do not know how, and in the second place they would encounter plenty of interested parties willing to instruct them as to what should be charged for particular kinds of freight. If they had at their finger-tips the scientific rules for making an ideal schedule of charges there would be an overwhelming pressure brought to bear to prevent them from applying those principles. Every big producer of oil or coal or lumber or flour would want the rates on those articles made to favor him; and if he could ever manipulate the official charged with rate making as the managers of great corporations know how to manipulate other servants of the

state, it would come to a point at which the people's agent would not want to apply principles scientific or legal to the making of the schedule of rates. "The ox knoweth his owner and the ass his master's crib." A bought official does not want to have too clear a preception of any kind of law.

Is the case hopeless? Not unless all government is so; for through and through the fabric of our state runs the same perverting influence—the appeal to the official to betray his trust in the interest of his pocket. We must find a way to have the king's business—the business of our collective sovereign, the people—honestly done. We must have at some time, men who will not betray us, in offices in which they would not dare to betray us and are not under great pressure to betray us. We must secure high character in the *personnel* of the government and must place it under heavy bonds to do right and with small incentive to do wrong. Personal character fortified by institutions—that will save us if anything can; and any one but a pessimist will believe that we shall ultimately have it.

A glimpse of a practicable mode of getting this is a great strengthener of optimism; and on this point, even though it be in an inadequate way, we should spend a few words. The blunders which, as it is said, even an honest government will make, will be trivial evils in comparison with evils from which the system would deliver us. The

discriminations now made in the treatment of great shippers and small ones, which threaten to fasten on the people the intolerable burden of private monopoly, are an evil in comparison with which any blunders which an honest government would make, shrink into insignificance. Blunders can be corrected, for they have a way of pointing out of themselves the manner of correcting them.

Again, it will not be necessary to make *de novo* a whole system of charges. It will be necessary only to harmonize the systems that are now in force and to prevent them from exacting too much from the public; and he would have a poor opinion of his countrymen who would maintain that in this direction, in which business capacity, the most prominent of American traits, is chiefly needed, a commission competent to do the work cannot be found.

As for character, that has been secured in the case of Interstate Commerce Commissioners. With appointments based on a sound principle, it can be had even in a degenerate republic; and, moreover, the temptation to pervert a general scale of charges applicable to all railroads is not a tithe as strong as is the temptation to wink at unfair treatment of different shippers under a system like the present one.

If it be true that we must stop personal discriminations, that we can do it if we permit consolidating, and if that would expose us to the danger of exorbitant charges applied to every one alike, the conclusion is unavoidable that

we must fix a scale of maximum charges; and the prediction is safe that after some other experiments have been tried and found wanting, we shall come to this plan. We shall permit and even favor consolidations for the economy and the efficiency which they will insure and for the improvement they can make in the service rendered to the public. We shall guard against generally exorbitant charges and we shall put so far behind us that we shall never encounter it again the system that charges the great producer a little and the small producer much and so fastens on the public the evils of private monopoly. That our common carriers should consolidate and themselves constitute a monopoly with unrestrained powers would be a great evil; but that they should, without formally uniting, build up a hundred producers' monopolies is a far greater one. Of the two evils, if we must have one, it would be better to choose the former; but it is still better to avoid both, and, as has been shown, there is a practicable way to do it. No mere difficulties should deter us from doing it.

Because we do not want our own state to buy the railroads we should cause it to regulate them in a way that will make life tolerable for those independent producers for whom it is often intolerable if not impossible. When, however, we have done that we shall have a still harder thing to do, for we must manage to stop cut-throat competition by the trusts themselves. (We must put an end

to those local discriminations in the selling prices of goods which are a chief means of crushing competition and creating monopoly. We must stop the unfair attacks on local producers by the corporations which enjoy a general market. If there is an independent mill in the far west and a big trust somewhere in the east, you must not allow the trust to go into the state where the independent mill is operating and put down the price of its product below cost in order to make that mill shut down, and keep the price up everywhere else. Afterwards, of course, the monopoly, having crushed its rival, would put the price up in the very state in which the mill was operating. That is the playful scheme of the trust, and it has to be stopped. I know that not only people who are interested in trusts and favor them, but a goodly number of economists agree, at this point, in saying that the thing cannot be done. "You may possibly succeed in your railroad law, but you can not succeed in this trust law. You cannot prevent the trusts from selling cheaply here in order to crush a competitor, while selling dearly elsewhere in order to make money." That is a matter of opinion. If it were not possible in the state of New York to collect a price for some product of steel in excess of the price charged in some remote part of the country,—allowance being made for freight charges always,—the trust would never dare to beat down prices very low in that remote part of the country for the sake of crushing out some rival who might

there appear. The steel trust has not had occasion to carry on many of these predatory wars; and for that reason we may, without singling it out for attack, use it as an illustration of what a great trust can do if it will. It could make low prices for steel, say in Minnesota, for the sake of crushing out somebody there, and keep up prices everywhere else. But if federal laws or laws made concurrently in the several states made it unsafe to do that, the local competitor might survive, and his survival would afford guaranty against extortion. The mere fact of selling at a cut-throat rate in Minnesota should make it impossible to collect any more for similar products sold anywhere else. A régime of uniform charges would go far toward disarming monopolies.

If law in America were really law, and not the expression of advice or a pious wish, a trust would not often resort to the dangerous expedient of sacrificing its goods in one section of the country when, by so doing, it rendered uncollectible the bills for larger amounts charged elsewhere for similar goods. We must put life enough into our statutes to make them law to this extent. With predatory competition ruled out the trusts will give us reasonable prices, but with this practice tolerated they will give us high ones.

In the way of fair competition the trust is not so dangerous an opponent that a large and well-appointed mill is put in jeopardy by it. The trust often is seriously

handicapped by the possession of a number of antiquated and inefficient mills, and when a new competitor comes into the field, he does not come with any worn-out machinery or ill-located buildings. He has the latest and best mill that he can have built placed in the most favorable situation that he knows, and he can make goods about as cheaply as the trust can in its better mills and more cheaply than it can in the poorer ones. Nevertheless the trust can still crush him if it is allowed to come into his territory with goods offering at predatory rates. But if all over its vast territory it must also sell the goods at a similar sacrifice—if, in trying to crush the man in Minnesota the trust has to lose money in every state in the union—the rival can hold out as long as it can. The great company will ruin itself, in spite of its vast capital. If fair competition is allowed to survive, the trust will give you lower prices than you can have without it, but without competition it will give you high prices; and the difference between a sound economy and an unendurable one. To secure the sound economy we shall find or make a way to overcome difficulties.

Although the difference between a régime of uniform prices and a régime of discriminating prices does not, on its face, look world wide, it really is so. It makes the difference between freedom and oppression. It may be thought that we must accept the oppression because the remedy is not now in a political way practicable. You

cannot make the legislators apply it. The trust has too firm a hold on the law-making power. That so-called impossibility is not what should ever be called by that name. It would mean that the people *cannot* do a thing because their representatives *will not*. If the only reason why sound trust legislation will not work is because we cannot get it at all, then I am in favor of doing the impossible. I am in favor of forcing those legislators to do our bidding; and my judgment is that in that line of effort the people, when they know what they want, can have their way. One may admit a lamentable eclipse of democracy but not a permanent failure. The situation suggests the broad question how we may bring self-government out of its eclipse and, in particular, it suggests those democratic institutions, the initiative and the referendum; more immediately it suggests a revolt against political machines, a subject into which the present brief study cannot well lead us. We have only to assume that self-government will in some way survive, and the regulation of trusts will be seen to lie within the scope of practicable law making. The political machine will not, in that case, be a permanent asset of the corporation, and you cannot forever say that the trust owns the boss, the boss owns the legislator and the legislator serves its owner's owner, enabling him to say, "The people be ——— disregarded."

One bulwark of the trust's power might conceivably be removed. A trust in a free-trade country has very



little power; while in a highly protected country it has a great deal. There are numerous trusts in free-trade countries, and in countries with a much lower tariff than we have; but they have not become monopolies. In England there are combinations; but they cannot put up the prices of goods to a higher level for, if they did, people would buy them in Germany or elsewhere. If there were a high tariff on the goods they could put the price up with safety as far as foreign competition is concerned. If duties were heavy prices might go very high before the importing point would be reached. They can do so in America where the importing point for goods is very high; and we therefore cannot rely on foreign competition to protect us. Quite within the limit which is set by the cost of getting foreign goods and paying the duty on them, the trusts can make a great monopoly profit; and so it comes about that in the west and to some extent in the east, there is a very strong plea for the abolition of protective duties on trust-made goods. We have bills introduced which would sweep away all the duty on articles which American makers sell cheaply in foreign countries, in competition with the foreign products, and sell in this country at a higher price.

We have to-day an elaborate system of protection which has greatly hastened the development of our manufacturing. It has not been altogether indefensible. For the original creation of it a good argument can be made. If there were a debate on a public platform as to whether

the system of protection has done in America more good than evil, the affirmative would have it in a popular verdict and might have it in a scientific one. The people would say, "We are better off with our myriad of big mills than we should be if they were fewer and smaller." They are beginning to hesitate when the question takes the shape of asking: "Are we better off with the mills, the trusts, the bosses and the shrunk power?" If all this is chargeable to the tariff it may be time to reduce it or sweep it away. The permanency of the protective system may not be, in any case, a desirable thing; and the long continuance of it may come to hinge on the possibility of controlling trusts without abolishing it. Protection tied to monopoly may have a hard fight for existence, and if the two are really thus united, the fight can come none too soon.

With what difficulty shall they who have political entanglements rise to the level of patriotic work for the people! With what difficulty shall a body of men making log-rolling bargains with each other get even a glimpse of the scientific principles on which the reformation of a tariff should be conducted! What should be done is one thing. It is what the people really need for their common welfare and progress. What can be done by the agency of Congress—especially at a time when the political caldron is in the midst of its quadrennial boiling—is alto-

gether another question, the answer to which is far more doubtful.

Clear as daylight is the policy that the real need of the country requires. It is not a sweeping away of the whole protective system. There are those who, if they could turn history backward, put themselves at the beginning of the last century and decide over again the question whether we should have a protective system or not, would decide not to have one; but there are few indeed who, knowing that a vast network of industries has grown up under our tariff and that some of these industries are still partially dependent on it, would, if they had the power, sweep away every vestige of duty.

There are men in plenty who would be glad to see the existing duties reduced and can tell how they wish them modified. They are not in favor of treating as an "infant industry" a business that has grown to gigantic size and developed, not only enormous strength, but a savage disposition. When an infant of that type makes a specialty of attacking and crushing his American competitor, as though the latter were indeed the foreigner whom protection is intended to exclude—when, on scenting such competition at home, he says, like the giant of the nursery tale, "Fee, faw, fum, I smell the blood of an Englishman"—he will make the American people somewhat impatient if, in the next breath, he asks them to pity and protect his helpless infancy.

When we find that we have duties which are not needed to protect *an industry as such* but are effective in sustaining *a monopoly in the industry* it is time to reduce them. Sweeping them altogether away may conceivably crush some independent producers who are trying to compete with the trusts; but reducing them to a legitimate level would not do that. It would make monopolistic prices for the present impossible, and if the measure were followed up by other legislation, it would make them impossible at any time.

Let us concede that we want duties that are high enough to secure our markets for American producers; does that mean for American monopolists? Does it mean that the foreign producer shall be kept out of our market even when prices here are raised to an extortionate level? Was our protective system ever intended to guarantee to a favored body of producers a net profit of twenty-five per cent. or fifty per cent. or more on the cost of their goods? The claim has always been that competition among producers at home would bring prices here to such a level that they would cover only the wages of labor of all kinds and an average return for capital.

Now there is always a certain rate of duty which will bring the price of an article up to the point at which such fair returns can be realized. In the case of many an industry they could be realized with no duty whatever; but in the case of those which are still unable to stand the

full force of foreign competition a duty that is modest according to American standards would suffice to secure our own manufacturers. If some foreign article has to pay a duty of fifteen per cent. it may well be that the American maker of a similar article can sell it at a price that will make his business profitable.

What, then, is the effect of making the duty fifty per cent.? It is to make it possible for a trust to add another thirty-five per cent. to its prices before it begins to encounter serious interference from abroad. If it can deal with its American rivals by the effective method that it has learned to use it can have the field to itself and pocket the net gain of about thirty-five per cent. That measures the tax which the people impose on themselves for the benefit, not of the industry itself, but of the monopoly within it.

The competition anticipated by the originators of the protective system would cut down that profit and cause the article to be sold at some approach to the foreign price. If we can rehabilitate competition, even in the potential form, something like this result will be reached. If we reduce the duty to fifteen per cent. it will be reached; for at that rate any mill can run which is well equipped and willing to content itself with a fair return. Our manufactories will hold their own against foreigners, keep their home market and make as much money as any business has, in the long run, a right to make.

It is, of course, admitted that the adjustment of duties on that principle is a delicate thing and requires skill. Congress is not noted for doing things delicately or for trying to do them altogether in the way that is best for the public. Legislation on the plan of "Vote-for-my-bill-and-I-will-vote-for-yours" is not likely to give the most scientific rate of duty. The actual struggle between different parties as to how high duties shall be is usually among men, each of whom wants to raise some duty on the schedule, while the public which needs to have the general level of the duties lowered is a spectator with less immediate influence. A strong commission, backed by the public, presenting a tariff that would make industries safe and monopolies within them difficult or impossible would not be thus negligible.

We certainly could strip away the unnecessary part of the tariff, which is simply playing into the hands of monopoly, and we could keep the necessary part which is protecting the honest producer. This would not destroy consolidations and ought not to do so. What we have to fight against is not the trust as a big agent of production, but the trust as a big monopoly. So long as it is working honestly and benefiting the people, let it exist and welcome. If sweeping away all duties would crush it and its rivals together, let us not sweep them away, but let us abolish the part of the duty which makes the trust

a monopoly by shielding it from foreign competition and enabling it to crush competition at home.

We have encountered here the paradox that under a moderate duty an independent manufacturer can better sustain the competition of foreigners and his own countrymen together than, under an exorbitant duty, he can sustain the competition of his countrymen alone. Enabled by high protection to make great profits in most of its field, the trust can well afford to sell goods below cost in any particular corner of it in which a rival may appear. The honest manufacturer, whom for our own good we must protect and foster, is crushed under a high duty as he would not be under a low one. Naturally he should be as much the enemy of extravagant protection as of free trade.

The line between legitimate duties and those which create monopolies is easily drawn in theory, and it can be approximated in practice with little real difficulty. It is possible to ascertain about how much protection is justifiable and how much is utterly unjustifiable. It may not be so easy to induce Congress to act according to the result of such an investigation; but here there is one recourse, and in the end that recourse should be effective—an appeal to the people who are the party interested, who are in favor of honesty and are taxed by monopoly, and who thrive only under conditions of economic freedom.

## CHAPTER IV

### ORGANIZED LABOR AND MONOPOLY

It goes without saying that in industry there is no interest at stake that compares in importance with the interest of labor. This is true, first, because laborers are the most numerous class in society and, by the mere fact that they constitute a large majority, have a right in cases of conflict to have their vital interests considered somewhat in preference to those of other classes. In the second place, laborers feel the benefit that comes from getting more pay and the injury that comes from getting less more than other classes feel the effects of changes of income. No addition to the income of a man who is worth from one million to one hundred million dollars will make a material difference in his well being; but an addition of twenty-five cents a day to the wages of a man who now gets two dollars a day will make a difference that he will appreciate. And if there are a great many millions of people substantially in the position that the latter is in, the whole question of wages takes on an importance which far exceeds that of any other economic question.

There is very little disposition to question the right of workmen to do what they can to raise wages, provided



that they keep within the limits of what is lawful. I do not need even to recall the time when combinations to raise wages were under the ban of the law. That, in these days, is ancient history, and one seldom encounters persons who venture to deny the right of workmen to combine for the purpose of making better terms with their employers than they could otherwise make. One does not often encounter anybody who is disposed to deny the fact that by combination they can, in some degree, attain their object and actually make somewhat better terms. Now and then a man claims that organization does not benefit workmen; that after all the strikes and lockouts and the turmoil that take place, the rate of pay settles, in the end, at just about the level at which it would settle if there were no organizations at all. Persons who make that claim are scarce, and by far the greater number confess that collective bargaining is advantageous for the workman, for the reason that it prevents large bodies of working people from competing with each other for employment and reducing each other's pay. If there were only one employer in a locality to whom workmen could at all conveniently resort for employment, and if there were five thousand workmen in that locality, there is quite a chance that some of these men, finding themselves out of work, would eagerly compete for places against those who have them, and that this would bring the pay of all to a lower level than would exist under more equal conditions. If,

however, the five thousand men were in a union and were dealing as a union with their employer—if there were, in that place, one employer and one collective employee—that element of inequality between the parties to the wages contract would be largely removed and the bargain would proceed on fairly equal terms. The employer might indeed say: “I won’t pay what you ask and I will take my chance of filling your places;” but if there were few men available with whom to fill the places—if new men could not be secured except under difficulties and in small numbers—the employer would yield something rather than provoke a bitter contest with his employees.

This disposition to yield in advance of a strike is worth more to the men than an actual stoppage of work. The strike which is held in reserve, to be resorted to only in case of need, is the chief reliance of organized labor, and a part of the pay that the men get when they never strike at all is due to their ultimate power to do this. It is a great mistake to measure the value of organization by what workmen get through actual fights with employers.

Now the power and the whole position of labor organizations have been radically changed by the advent of monopolies on the side of capital, and that, too, in ways that very few people appreciate. It is not realized that a body of workmen, although they have lost one power which they formerly possessed, have gained another power and taken a new relation toward both employers

and the public. Owing to this change in the powers of the union, the whole attitude of the public towards labor organizations has been changed and may easily become less sympathetic.

Let us look at the simple facts in the case: Suppose there are one hundred employers competing with one another, as in many a department of business there formerly were, and a strike takes place which affects only a few of them. Possibly it affects a dozen or twenty, who occupy some one section of the country. In that case, if the strike is properly timed, and if the strikers are moderate in their demands, they are morally certain to win. The employers are unwilling to have production stopped. We are speaking of a normal market and not of a falling one in which stopping the mills may not do harm; and we can see that under normal conditions it is disastrous to be obliged to close them. The customers who have patronized those mills must not be allowed to drift away to others. A producer knows that his competitors are always ready to step in and supply his customers when he fails to supply them, and that he loses what he would call the good will of his business by allowing this to happen. It is not as easy to win back customers as it is to keep them when one once has them; and therefore it is disastrous for a few men, out of a large number, to stop production. They are so unwilling to do it that they prefer to make terms with their employees if they can.

On the other hand, where there are many independent mills and where competition is active there is a sharp limit on what the owners can grant in the way of concessions. The margin of profit on their goods may be close. It often happens that a corporation which makes a great many thousands of dollars in the course of the year does not make a large percentage of profit on each article that it sells. The large profits come from the great volume of the business. The prices are fixed by competition among all the different producers and if a few—say twenty out of a hundred—agree to concede rates of pay which the remainder do not concede, there is a chance that those who make the concession may not be able to run very long. Any large difference between the wages they pay and those which their rivals pay may sweep away the margin of profit on their products. There is a small zone within which the wages of labor may be made to fluctuate upward and downward by virtue of the power of organization and the reserve power of strikes, but you cannot make employers, under these conditions, advance wages very much. As a rule, the only time when you can make them advance wages at all is the time when prices are rising and they are making unusual margins of profit. Then there may be some prospect that all employers in that particular line of business may be made to give the advance which the workers claim. If you can bring them all into line so that no one has any great advantage over

another, you can make them concede a certain advance corresponding in a measure to the rise in prices. Strikes on a rising market are apt to succeed if they are for enforcing moderate demands; but strikes against a falling market almost invariably fail.

Now all this is changed by the organization of corporations on an enormous scale. On the supposition that a trust were a complete monopoly, and that it really controlled the entire output of goods in its line, it would be able to make much larger concessions to labor than competing employers can ever make. It would have the power, when prices have not risen sufficiently of themselves, to make them rise. At the cost of somewhat curtailing the sale of the goods the trust can make purchasers pay more for them; and within limits it is profitable to do this. It would be very hard for a body of workmen, however well organized, to compel a few competing employers to give an advance in wages that would sweep away ten per cent. of the selling price of their products; but it is not hard for the trusts to put up prices as much as that and so concede what workmen may demand without cutting down their own original profits. We have often seen them put up prices more than that; and if, when they do this, the union has power enough to bring a strong pressure to bear upon them, the chances are quite considerable that it will secure a liberal advance. The trust may charge over to the purchasing public whatever it concedes to its men and

may even get a further profit in the bargain. We are paying high enough prices for coal this winter to indemnify the coal operators in a very liberal way for all the additional pay they are giving to their men. Miners have secured a concession; the operators have put up the price; the public is paying the bills with an overplus.

Now a trust has this power of making larger concessions that competing employers can, because it can make the public pay the bills. Do the trusts, however, have the disposition to do it? Can the employees use pressure enough to make them do it? From no purely economic reason will the trusts do this of their own motion; and trade unions have a smaller power over them than over competing employers. This is not wholly because the combination is large, although that has something to do with it; it is because the workmen cannot hurt the combination nearly as much by stopping its work as they can hurt a competing employer. The miners recently stopped operations in the coal regions and incidentally reduced the business of the coal railroads; but they gave the operators an excellent opportunity to work off inferior coal at satisfactory prices and the further opportunity to raise the permanent price of coal in a way that cannot fail to be consoling to themselves. [A great combination is not as reluctant to stop operations as the competing employer because it gets, in the end, such an indemnity.] When one competing employer stops work his stopping does not

greatly change prices, and therefore he gets no indemnity. He sees his business drifting away from him, as his competitors increase the product of their mills and supply his customers. Consumers find in the shops as much merchandise as they found before and the prices remain about the same.

In the case of a monopoly the strike may throw a little useful dust in the eyes of the public, as to the cause of the new tax which, in the shape of an advanced price, it has to pay. It seems to be the strike only that is to blame for this. If miners begin a fight and, in the end, the price of coal goes up, we charge the advance to the miners, though we blame them far less than we should blame the operators if they began the fight in order to put up the price; for in this latter case we know that they began it for the sake of getting the higher price. They are debarred from claiming that the stoppage of work was forced on them, that they are doing all they can to run the mines, etc. This may be said in the case of a strike, and even in cases in which the stoppage of work is welcomed by the employers if not adroitly brought about by them, there is a chance that the people who are characterized as "the marines" may believe it. Now how are the people affected by the new conditions? The public pays much larger bills for strikes, lockouts and discontinuance of production, than they had to pay under the competitive system. The strike now is likely to stop almost complete-

ly the production of some article and if it is a staple article the stoppage throws the industrial system into confusion. A strike that paralyzes the production of fuel or raw materials or puts a stop on transportation is too serious an evil to be tolerated. Where only a few mills or mines are affected there may be a shadow of justification for the claim that employers often put forth, that this is "their business" and not the public's and that the public must keep their hands off. They have scarcely the right to "run their own business as they please" without any limitation, even where the public is not dependent on it; for even there employees have their equities which are worthy of consideration; but where the public is dependent on the business so that the interruption of it is a disaster every faint shadow of justification for such a claim vanishes. A monopoly that controls the supply of fuel performs a public function and the people have something to say about every discontinuance of it. The claim that there are three parties involved in a dispute that causes such a stoppage, namely the strikers, the employers and the public, is exceedingly well taken.

That does not really exhaust the number of parties that are concerned in labor questions under modern conditions; for their effects on workmen are to be considered in another way. As a part of the public, workers do not wish to go without fires in the winter season, and therein their interests are the same as those of a large number of



persons not in the ranks of labor; but they are interested in the matter of wages directly. Even peaceful curtailments of production in one department of business have a detrimental effect on the wages of labor in other departments. Limiting the employment of labor at one point creates an over-supply at other points. Without fully tracing such effects of limiting production we have gone far enough clearly to see that a strike against a great monopoly which controls a large part of the supply of some article, is a far more serious matter than a strike against a few competing employers. In the former case the workers have not the lever which they would have in the latter to force their employers to make concessions. On the other hand the employers have not the same reason for resisting the pressure. The workers cannot coerce the monopolistic corporations, as they could independent employers, but the great monopoly has not the same inducement to resist pressure from the workmen as the independent employer has; and so it has, on the whole, happened that, up to the present time, workers have done a little better in dealing with the monopolies than they have in dealing with competing employers. The power of the monopolies to make a large concession has counted for more than the lack of power on the part of the union to force them to make it. The weaker pressure encountering a weaker resistance has done the business and workers have fared just a little better in the employment of the large monopo-

lies than they have done in small establishments. But what will happen if the resistance becomes strong? A secure monopoly on the side of capital can resist the workmen, if it will, and that too with a fourfold power; and it may easily have inducement enough to do so to put an end to easy yielding.

There is one attendant fact which has come to signify a great deal more than it formerly did, which it is necessary in this connection to take into account. An extension of the scale of the laborers' organization may give them more power to coerce employers, and this equalization of the belligerent forces on the two sides may bring about a truce. Equal opponents prefer peace to fighting.

Even when working under great corporations employees may seem to have power to bring a large pressure to bear upon them and force them to pay more than they otherwise would—more than any employer would have paid under the old conditions. If the organization of the men includes a great majority of all who work in the trade within the limits of the country or within easy reach of the country, then it is impossible even for the great corporation to fill all their places.

As a matter of fact the workmen have never been thus completely organized. A few trade unions include a very large number of those who practise their craft, but a majority of them control only a limited portion of this body. A majority of persons in handicrafts are not in organiza-

tions, if you take the country as a whole into account. If, therefore, the union men go on a strike, and there are to be had in the country plenty of persons competent to fill their places, and if in striking they demand materially more than these non-unionists are getting, the employing company finds no natural difficulty in the way of filling the vacated places. It may take a little while to do this, because some traveling and searching is involved; but it can be done in the end, and a body of workmen who vacate their places and refuse to go back to them unless they get a rate of pay which is considerably higher than other available workmen are willing to take, would have to sit idly by, as the places were one after another filled. Possibly, when the defeat of their effort seemed sure, they might call off the strike and rush to get back as many of the places as possible. A strike for rates of pay that are higher than competent men, in large numbers, can easily be had for would naturally have little chance of success. And this raises in the men's minds the question how it is possible to make it difficult to fill those places. It can be made somewhat so by a contract labor law which prevents the importing of men from foreign countries. Many years ago a strike was ordered in certain shoe factories by the old organization known as the Knights of St. Crispin and the owners of these mills ran them with a new force consisting of Chinamen. There are several reasons why that could not now happen. First, we do

not let Chinamen come in; and secondly, we have a contract labor law, which would prevent people from other countries coming in under contract to fill a large number of places at once. These, however, are not the only reasons. Most persons will admit that if a body of Chinamen came in to take the places of strikers, these Chinamen would not be a quite safe risk for life or accident insurance. An economic argument will appeal to the striking workmen and cause them to do that which law and the officers of the law will be either unable or unwilling to prevent. Policemen and militiamen disperse mobs; but the "slugging" of a man here and another there is not prevented.

Some of this is done without the most effective condemnation on the part of the local community. It is not fair to say that extreme violence is ever condoned by the public; for that is not true. No local community, even when it sympathizes with strikers, would willingly allow a reign of terror to be established. It does permit strikers to use a kind of "persuasion" which has some stronger arguments than any verbal ones behind it. Such arguments do not stop short of endangering life and limb, and therefore they amount to crime; but some of this is tolerated. As a general rule, enough of this treatment to keep free workmen from taking positions vacated by strikers would find, not a complete approval by the community, but a certain apologetic treatment. We are here speak-

ing of the local community in which a strike takes place and not of the general body of the people of the country; for it cannot be said that the general body of people in the country would look with toleration on even a mild type of violence, and it would certainly not look with toleration upon an amount of it that would endanger life, limb or property. There is often a different feeling in a local community which causes it to condone a certain amount of positive violence. It finds in the case "extenuating circumstances," and if the criminal acts do not go too far, is not disposed to interfere with them.

Now what is the basis of this feeling? Why does not every right-minded person condemn all violence directly and without qualification? It is the feeling that the strikers in the case may be claiming as wages no more than is equitable—no more than a fair court of arbitration would give them—and that if employers are allowed to import new men without interference they may establish rates of pay which do injustice to workers. The sharp arguments used to prevent the new men from coming present themselves to the mind of the local community as a regrettable means of preventing an injustice. On the basis of their productive power the striking workmen are entitled to a certain rate of pay. If new men are allowed to come in without let or hindrance, no one will get this rate. Such is the tacit plea for slugging.

Very important in morals as in business is the question

how much right a man has to his position after he has vacated it. There is a so-called eleventh commandment, "Thou shalt not take thy neighbor's job;" but you can apply this rule only so long as the neighbor's title is good; and there are circumstances in which this right to the position is forfeited. Up to the time when the laborer forfeits his right to the place the community wants to see his tenure recognized. The community does not want to see a body of men who have held positions for a long time and done well in them thrust to one side and other people put in their places, so long as, in striking for higher pay or shorter hours of labor, the original body claims no more than is just. If, however, the claims are more than is just—if the men persist in saying, "We will not work on the present terms, or on any terms except those of our own making; we will prevent anybody else from working even on just terms, and we will do it ourselves in our own violent way," there is no community in the world which would ever justify that position. The public anywhere would uphold the law and the officers of the law in making it impossible to interfere with men who accepted just terms and displaced men who refused them.

It all hinges on the question whether the demands of strikers are or are not just. Now, in what way are we to know whether they are so or not? Neither of the contending parties is impartial enough to tell us or to ascertain for himself; and the first thing that is needed is a

disinterested judgment. Since the claim of workmen to own their places even when they are not working in them depends entirely on the justice of the demands which they make on their employers, it is clearly necessary to have some means of knowing whether these demands are or are not just. The logic of the whole situation involves some system of arbitration in the future, and not very far in the future, if the great interests at stake are to be well protected. Before we discuss that we should notice one practical fact. The incentive to rely on slugging as a means of keeping possession of places when a strike is in progress lies mainly in the fact that the organization of the laborers is imperfect. Union workers are in a minority and men who are willing to work for less than unionists demand are abundant. The organized laborers must let these men have the places or find forcible means of keeping them off. This motive for attacking the independent workmen would be reduced if the organization of trades were complete. If everyone working at a trade were in a union and if all the local unions of each trade were combined in a national or international one, workers could abandon their places with an approach to impunity, knowing that if employers put other laborers into the places, it would be raw workers or apprentices, who would have to learn a new trade before they would be worth much. That, of course, depends on what the character of the occupation is, and if it were something like driving a

delivery wagon or even manipulating a trolley car, the trade could be learned with some rapidity; but if any considerable amount of acquired skill were needed in the trade, complete organization would give a body of efficient men a fair control of it and it would be almost impossible, if not quite impossible, to fill their places if they went on a strike.

Most persons have noticed that the price of window glass is now high. There is a strong organization of glass blowers, who get very high wages. They are few relatively to the number that might be employed; there is no good source from which a new supply can be had. The fee for admission to the union is extravagantly high and, in the case of most men, prohibitory. The union is able to pursue with success a policy of exclusion. Though it does not absolutely include all of the glass blowers in the country, it has a practical control over all and a strike of the glass-blowers' union would have an exceptional power to coerce employers, who cannot fill the places which are vacated. In such a case it would not be necessary to resort to violence. It would not be possible to secure enough non-union men to run the furnaces. Indeed, it is said that there are not enough skilled men in the country to run nearly all the furnaces now, even when the entire force of the union is employed. Now why should a union that is in such a position ever resort to violence? Few unions will do so if they shall attain the completeness of



organization which has been attained by the glass blowers. We shall then hear less of the disorders which attend strikes; but we may hear more of another phase of the labor problem.

The situation in which every trade union is a monopoly is eminently desirable from the point of view of mere social tranquillity—unless a general and thorough revolution is threatened. Too much monopolistic power on the side of trade unions might create that danger, though it would stop most of the ordinary slugging. What any monopoly signifies is a tax on the public, and close corporations of skilled workers could tax the purchasers of goods and force down the pay of independent labor at the same time. Glass blowers make us pay abnormally for windows, but that tax does not, by itself alone, rest very heavily on people who live in rented houses. A few dimes in a year will pay all that most families are forced to contribute through the action of the window glass makers. A small tax scattered over the whole country may yield in the aggregate a very large sum; and if such taxes were multiplied—if there were not one union but fifty or a hundred that were able to make such exactions—the tax on every consumer would become very much greater, and would be almost intolerable for people of small means. If many labor organizations were really monopolies themselves and were pursuing the policy of keeping down the supply of labor in their several fields, they would tax each

other to some extent, but the whole body of them would tax the public more severely. Workers in one union would pay a tribute to other unions, but there would be a general gain for the entire body in so far as a further tax rested on other people. A considerable part of this tax would rest on persons who are not workmen at all, but what most interests us is the condition of laboring men outside of unions. How would they be affected? Where would a system of exclusive unions place the non-union men? Let us think just a moment what the future would have for the non-union man if one hundred important trade unions succeeded in getting all the workmen in their several lines enrolled and if they kept down rigorously the number of persons admitted into the unions. At present they are trying to enroll in the organizations everybody that practises the trades; but this is preliminary. So long as one practises the handicraft it is better for the union to let him come in than to keep him out. What is wanted is a reduction of the number who practise the trade at all; and that can come only when the organization becomes complete. Suppose the union once got everyone in and then began to make rules for restricting the number of apprentices and for charging high fees for the admission of newcomers who have already learned the craft. Suppose that it had committees who scrutinized severely the qualifications of men who claim to be able to practise the trade and in one way or another kept many

of them out of it. By such a policy as this a body of affiliated unions would turn people by the thousand into the unorganized occupations. If a hundred important trade unions, each controlling a vast number of men, should pursue this policy—if they really gained a monopolistic power and excluded people who were competent to practise the craft, and prevented others from learning it—they would be in the position of forcing young men and old men into a limited number of crowded and ill-paid occupations. As more and more trades became thus monopolistic the field open to the excluded workers would become smaller and smaller. Fewer and fewer would be the occupations to which they could gain admission at all, and the wages in these remaining occupations would be low. The condition of the non-union man under these circumstances might in the end be pitiful indeed.

Now this is an imaginary state of affairs and it has not been actually realized. It is very far from having been realized in any completeness; but what we should recognize is that, while complete organization in every skilled craft would certainly remove the incentive to violence, it would create a condition in which there would be the strongest sort of incentive offered to the excluded men to rebel against the whole system. The organized trades would have put all society under a heavy tribute and would have put the unorganized laborers where they could ill afford to pay any tribute. A barrier that could

not be surmounted would enclose that economic territory to which they would be confined. It would go hard with young men who wished to learn a craft, and if they failed to get the privilege of learning it, it would go hard with them in another way in the unskilled occupations to which they would be confined. The time might come when such a condition would be wholly unendurable. Are we, then, as it were, "between the devil and the deep sea?" Have we to choose between a condition in which there is a grave temptation to violence and one in which there will be a monopoly of the good fields of labor? Must independent workmen enjoy immunity from attacks at the cost of serious oppression? Must we see growing up a "fourth estate" that will find in some revolutionary change its only hope of fair treatment?

It looks as though this were the case, but there is ground for thinking that it is not so. A better outcome is in sight. In an earlier chapter reasons were given for hoping that the great trusts, under wise legislation, may continue to be useful as producers and may lose the monopolistic power that is so injurious to society. This may be brought about by measures which will keep open the field for new competitors. Now that possibility will be just as open in the case of a trade union that shall in the future become a monopoly, or try to become one, as it is in the case of a great combination on the side of capital. And if one-third of the working people of society were to

organize in a close corporation, fence its territory around and say: "Nobody shall be admitted into this territory except some of our own children," the thing that would happen would be that the independent capitalists, who are inclined to enter the field as competitors of the trusts, would find it advantageous to start their new mills by the aid of equally independent labor. They would gather a force of non-union men, train them if necessary, and by their aid produce more cheaply than mills in the combination employing union labor could do. There would be a rivalry between free capital employing free labor, on the one side, and monopolistic capital and monopolistic labor, on the other; and if the monopolies were exacting in their demands, they would be the losers in the contest. The free mills would win; and the efforts of employers to restrict the output of goods and those of union laborers to restrict the supply of men in their crafts would both be defeated by the competition of the independent labor in the employment of independent capital.

This is looking into the future and considering probabilities rather than realities. At present what we have to do with is a preliminary state—some strikes without violence, some with violence, an utterly unsatisfactory attitude of local officers in the case of violence and a great loss of public sympathy by organized labor. The country, as a whole, does not now regard organized labor as favorably

as it formerly did, and there is a movement to organize capital on a basis on which it was never organized before, namely to contend with organized labor. The great consolidations of capital have had for their primary purpose to raise prices. Incidentally they have, of course, been able to contend with great efficacy with organized labor, but they have not, in the main, developed any violent opposition to it. Now we see all over the country bodies of citizens in many different occupations uniting against organized labor. Why? Because the present situation has put organized labor in a false and indefensible position, which it will not long occupy. We may be sure that the heart of the country is with the laborers of the country and that it sympathizes thoroughly with the cause of labor as such. We may be sure that in the long run, it approves of the principle of organization and will always approve of it, and we may be sure that, in the long run, the organization of citizens to fight unions of laborers will not be necessary. The new and better state will come about when this preliminary period shall have passed and a more settled condition of things shall have come. At present there are few trade unions that are as powerful as the typical one I named—the glass blowers' union—and we cannot speak of an average trade union as having an effective power of monopoly. As a rule, it does not have it except as it gets it in an irregular way by driving off men who, here and there, try to practise their trade. In a

natural way the unions are not, as yet, monopolies. Moreover, the fight at present is not chiefly between union shops and non-union ones; in the main the fight is for the preservation of what is called the open shop, in which the unionist and the non-unionist work together. Such a commingling probably represents a preliminary state. In the long run the tendency will be doubtless to separate the shops, as completely unionized on the one hand, or not at all unionized, on the other. When that division occurs, the same tendency that holds trusts in check will hold in check the trade union whose claims are extravagant; but the power of the trade union which acts within legitimate lines will be undiminished and it will accomplish for its members what the union was intended to accomplish, and that in a spirit of loyalty to the state and obedience to law. That is what we may see in the future for the laborers of the country, under a condition in which their organizations shall increase and flourish. The situation foreshadows the coming of some kind of arbitration; and in mentioning this, we encounter a perplexity. Many people will say: "Compulsory arbitration we don't want and won't have; and voluntary arbitration is worth nothing. Arbitration without force behind it expresses a pious wish but lets the contest go on if it must; while arbitration that is completely coercive interferes with the liberty of the citizen by forcing a laborer to work when he does not wish to do so, or by forcing an employer to run his mill when he

is equally unwilling to do it." Are we in fact limited to a choice between these alternatives? Is nothing offering except arbitration which is impotent and arbitration which is tyrannical? No; there is a middle ground and a good one. Why is it that a powerful union now-a-days is usually opposed to any kind of arbitration and altogether opposed to the kind that is compulsory? The drift of sentiment in unions that are very strong is thus because a powerful union fears that it might get less by arbitration than it can get without it. If union labor is indeed really monopolistic and able to get a great deal more than other labor can command, there may be some danger that even a fair tribunal of arbitration would not give the union laborers as much as they get now. Members of unions that are not thus powerful and monopolistic have a great deal more to gain by the system that prefers adjudication to fighting, and men who are destined to be either out of unions altogether or in unions that are not monopolistic, have indefinitely more to gain than they have to lose by arbitration. It is not necessary, however, that arbitration should be compulsory, in any such complete sense as the New Zealand system is compulsory. It will be quite enough if the law shall say to a body of striking workers: "We will recognize your right to your positions, provided we find, upon investigation, that your claims are equitable; if we find that your claims are not equitable, we will still offer you your positions in preference to others if you



choose to keep them on fair terms; but if you refuse them after this offer, we will uphold the officers of the law in enforcing the right of other men to take them. We will see that peace is preserved and make it entirely safe for the other men to take the positions. We will not allow a body of workmen to stand guard over these positions, demand unjust rates of pay and fight off men who will take just rates. We will recognize and enforce the union men's tenure of place so long as their claims are just, but not longer." Now, that is not, in the full sense, compulsory arbitration, but it is arbitration that has authority behind it and it could be introduced only by the agency of the state. We are not likely, hereafter, to let ourselves drift into such a position that the supply of necessary articles can be completely cut off and the people suffer for the lack of them, by reason of disagreements between employers and employed. We shall not allow the production of needed goods to be stopped and permit business to be thrown into disorder; but neither shall we place ourselves in a position where, in order to maintain the continuous supply of necessary articles, it shall be necessary to do injustice to any body of workers. We shall make provision for continuous production, for prosperity, and for the welfare of the people as a whole, but we shall make even more careful provision for doing justice to every body of workers. The union man will get his rights, though he may be debarred from disorganizing society.

## CHAPTER V

### AGRICULTURE AND MONOPOLIES

It is a very sharp division that monopoly draws through society. He that is not for it is against it; and that means, in practice, that everyone who is not in some way sharing the profits of the monopoly finds it to his interest to curtail its power. And yet its power has thus far been held in check chiefly by the natural action of that potential competition which has already been described, and not by the positive action of the civil law. This is because of the difficulty of securing legislation which is wanted and of executing laws which are passed. Corporations have a large power over the political machinery. Nevertheless, there is one great division of the people of the United States which is able to act with some degree of organization and with great effectiveness, and from the very first has used its power steadily against the growth of monopolies. I will not say that it has always used it wisely; but in the main it has acted in the right general direction and to-day it offers the only available nucleus of a party that shall be strong enough and united enough to accomplish much in the way of reducing injurious monopolies to useful servants. It consists of the agricultural class. It is to the

farmers of the United States, and mainly in the western states, that we must look for the action that will restore industries elsewhere to a sound state. This class has no divisions that destroy its efficiency in this particular contest, and though it has diversities of view on many subjects, it is able to act as a unit when monopolies are to be dealt with. So much cannot be said of any other large class. Of almost any other general class that has a large voting power, you may safely say that some portion is enlisted on the side of monopoly and that this fact makes united action impossible.

The farmer is hit by monopoly in more ways than one. In the spending of his money he feels the effect of high prices, in the selling of his grain or cotton or tobacco, he feels the effect of low prices of raw material—for what he furnishes is virtually a raw material, and much of this is bought by the agents of consolidated capital. He gets reduced prices for what he has to sell and pays high ones for what he has to buy in consequence of the action of those consolidations, for which, naturally, he has no friendly feeling.

A farmer is very largely a workingman and much of what he gets from his farm is wages. It is true he is his own employer, and yet, as he tills his farm and sees the price of produce declining, he feels much as a workman would feel when general wages go down. If he were only hiring other men and setting them at work on his land, he

might see a certain advantage in low wages; but as he does the work largely by himself or with the help of his sons, he takes the opposite view, and wants to see his wages and his sons' wages rise. As all wages except those of men in the employment of monopolies are reduced by the monopolies' action, those of agricultural labor are so. As a worker, as a vender of produce and as a buyer of goods the farmer pays his tribute to trusts whenever they are really monopolistic.

Now the farmers began to organize before the trust was prominent enough to present what is called a "burning question." There were consolidations forming, but they had not become numerous or very menacing to the farmers' interests. The early organization of the farmers was worth much to them because of the amount of experience which it gave them in collective action. This first general organization began almost immediately after the Civil War. It was in 1867 that Mr. Kelly, an employee of the government at Washington, took an extended trip through the southwestern states and returned with the conviction that many farmers were in a deplorable state, which would be relieved if they were united in an efficient organization. He determined to bring them into such a union and, calling to his aid Mr. Ireland and Mr. Saunders, residents of Washington, he founded the order of the Patrons of Husbandry.

Now many a man has organized in his own house a

little society of which he had large anticipations, which anticipations have come to grief; and very few such societies quietly created by two or three men in a private dwelling have had such a brilliant growth and exercised such a permanent influence as has this order of the Patrons of Husbandry. Messrs. Kelly, Ireland and Saunders soon had reason to be astonished at the result of their work. By 1874 the Patrons of Husbandry, otherwise called the Grangers, were represented in very many states and territories, and the little organization at Washington had become almost national in its extension. Local granges were scattered over the states and state granges were constituted by the local granges.

The organizers had given to the body an elaborate ritual and made it, at the outset, a secret society. The ritual had its attractions and the constitution afforded offices enough to offer further attractions, while the orders to which a member could attain seemed to bring a modest quasi-nobility within the reach even of a slender purse. Four orders could be conferred by a local grange, those, namely, of laborer, cultivator, harvester and husbandman. One could get them all for five dollars; and there were parallel titles for women which could be had for two dollars. All this played a useful part in attracting people, holding their interest and keeping up periodical meetings even when there were no very great issues pending. In 1874 there were said to be something like twenty thousand

local granges in the United States, and over a million and a half of members—a very large growth to come out of that quiet meeting of the three gentlemen in Washington.

The constitution of this body had an interesting preamble which scarcely gives any idea of what was practically undertaken, though it well reflects the general spirit of the organization. It showed a certain breadth of mind and elevation of aim. The order endeavored to promote brotherhood, and within the limits of its membership it did so to a very satisfactory degree. It performed works of beneficence and created a better social atmosphere than had formerly existed in parts of the country in which it flourished; but the practical thing that it meant to do and did do was to make war upon the railroads.

There is not here space to describe the so-called granger laws, whereby this organization sought to curb the power and reduce what it believed to be the extortion of the western railroads. It declared emphatically that it made “no war against railroads as such;” but it had a war to wage against the corporations as they were conducted. Conceding that men who built railroads had a right to an honest return for genuine investments, the grangers declared that men who projected roads, got the money for them out of other people’s pockets and issued stock to themselves for which they paid nothing, had no especially good right to a large return on that stock. They declared that railroads had no right to earn money enough from the

farming classes and others to pay ten per cent. dividends on highly watered capital, and the laws which they enacted were for the most part designed to reduce the charges for railroad transportation. These laws ran the gauntlet of the courts and at present the principle appears to be established that a legislature cannot, in this way, go to the length of confiscating honest property, but within this limitation may enact laws in the direction of curbing extortionate charges.

Now this did not accomplish all that the grangers had in view. There was a strong movement for the inflation of the currency, since the trinity of enemies recognized by the farmers of the west at that time and afterwards consisted of the railroads, the middlemen, and the banks. They were long hostile in spirit to the national banks and this is one illustration of the fact that they have been easily led to attack unreal enemies instead of real ones. Tilting at windmills, using good strength and energy, which might have been saved for attacking injurious monopolies, in attacking things whose disposition to do injury was imaginary, has been their occasional occupation. In so far, however, as the grangers effectually began a course of railroad legislation, the outcome of what they did has been exceedingly good. We can trace, first, the Interstate Commerce Law, and secondly the creation of the Interstate Commerce Commission to the influence of the farmers and that, in turn, was largely due to the extent of their

organization. As far as they were hostile to banks it was because of a confused idea of the power of the banks to regulate the volume of the currency and the prices of produce. They actually thought there was a conspiracy on the part of bankers to keep up the rate of interest and to keep down the prices of farmers' products. Fortunately the legislation which in this early day they demanded did not result in abolishing the national banking system and either restoring the wretched system of state banks which had preceded it, or making the government the sole issuer of notes and the regulator of the volume of the currency. For the failure of some of their blind efforts and the success of some intelligent ones the country has reason to be thankful. If we credit them with the enactment of the Interstate Commerce Law and the creation of the Interstate Commerce Commission we have to thank them for a very great deal and we owe the grangers much; and we owe them still more for furnishing an example of organization which was followed by a still more powerful body, which shortly afterwards entered the field. This more powerful body has borne the name of the Farmers' Alliance and its activity was later than that of the granges. It had a brief career, but the effect of its acts survives.

In 1882 there was formed in the state of Arkansas an organization which was known as "The Wheel." This peculiar name has several possible origins, but was probably selected because it suggests union and concurrent



action. Some years earlier, in the state of Texas, there was organized a body known as the Farmers' Alliance. After a number of years it became a state organization. By that time the so-called Wheel had extended itself over all the states adjacent to Arkansas, and there had also grown up, in the state of Louisiana, an organization known as the Farmers' Union which, in the year 1887, united with the Farmers' Alliance of Texas and took the name of the National Farmers' Alliance and Coöperative Union of America. In 1888 this body held a joint meeting with the Arkansas Wheel in the little town of Meridian, Miss., and in the following year there was formed the consolidation of these organizations which took the name of the Farmers' Alliance and Industrial Union and spread through the southern and western states, enlisted innumerable members, made vigorous demands upon the government and gave shape to the Populist movement which was started in Cincinnati in 1891.

It was in 1889 that this body held a great meeting in St. Louis to which still other organizations who were in sympathy with the movement sent delegates. The Knights of Labor were represented at this meeting, though they were not a part of the organization. There were, at this time, associations of farmers in the northwestern states which were similar in name and purpose to this great southwest body, but were not formerly merged in it. At this meeting in St. Louis there was formulated a platform

for political action which served as the basis of the political action which was started in Cincinnati two years later. The St. Louis "demands" were in substance reaffirmed in Ocala, Florida, in 1890, and gave character to the platform adopted in Cincinnati in 1891.

One of the demands thus repeatedly made was the abolition of the national banks; and there are not many people now who do not consider it fortunate that that measure was not enacted; nor are there at present very many who do not regard with equanimity, if not with pleasure, the further demand that the United States should issue money enough to enable the people to "do business on a cash basis."

Whatever we may think of the economic views of the farmers of 1889 we can sympathize with their desire to be able to pay debts and do business for cash. It appeals to our sympathies to see a class of persons on whom there rest terrible burdens catching at an expedient which, on its face, seemed to promise to enable them to throw the burdens off, though at the cost of doing untold damage in other directions. Inflation carried to great lengths would have helped the farmers to pay long-standing debts. Let us concede so much to the measure and to the economic insight of its authors. The farmers formed an accurate judgment as to the effect of an inflation of the currency on the price of grain, cotton, tobacco, etc. These prices were anything but satisfactory during the ten years ter-

minating in 1891, and those who had bought farms at the high prices prevailing just after the conclusion of the war and then saw the products of those farms growing cheaper and cheaper, found it harder and harder to make the payments of purchase money which they had engaged to make. If now the government had flooded the country with paper money, there would have been an artificial rise of prices. Grain would have sold at home for higher prices in paper than it would have commanded abroad in gold, and *the paper could be used in paying old debts*. Therein the farmer reasoned correctly; and while there is a question as to the morality of the measure, there is none as to the help it would have afforded to debtors. The effect on creditors and on men who live on fees, salaries or ordinary wages is another story. It would have had its effects—particularly bad ones—on those who had deposits in savings banks or life insurance policies. All deposits in banks would have been reduced in value as the money with which the deposits were payable was cheapened; and very grave effects on the business of the country would have been produced.

There is no possible condition that is so disastrous for honest interests in the country as a condition of contraction following a period of inflation. Something equivalent to such a state existed after the Civil War. During the war we had the inflation; and after it we had not much actual shrinkage of the currency, but a great growth of

business; and that was equivalent to a contraction. We had falling prices, as the value of the greenbacks slowly climbed toward a parity with that of gold, and it was the falling prices—or the increasing value of paper money—that burdened those farmers who had bought land in the years when all prices were high. If, to ease them of their burdens, the government had introduced another reign of inflation, it would in all probability have been followed by another period of falling prices and the whole disaster would have been suffered again. No government could continue to enlarge the volume of paper money and keep prices rising to the end of time. Very lucky it was that the Populists did not induce the government to snow the country under with such paper.

There was a demand for the free coinage of silver, for the belief was spreading that there had been a conspiracy to get silver out of the coinage. The emphasis laid on this charge came later, but the suspicion and the effort to secure free coinage came at this early date. It was another serious error and it was greatly to the advantage of the country that the demand was not conceded. There was a call for a constitutional amendment, forbidding the chartering of banks of issue and requiring the election of presidents, vice-presidents and postmasters by the popular vote. Grouping these officials together affords one of the humors of the situation, but the farmers were practical here and they wanted to sweep away a mass of real cor-

ruption, which follows the appointment of postmasters as a measure of patronage. Not altogether bad as a plank in any platform is this particular demand.

The farmers asked for a commission to give effect to the Interstate Commerce Law. They ultimately got it, and profoundly thankful we should be to them, as we should be also for their initiation and steady support of the policy of curbing the power of trusts. These combinations had not then made themselves so menacing as they have since and the anti-trust laws actually passed have been anything but good; and yet the demand for some legislation of this general kind was a discerning and thoroughly right demand. Exactly the kind of anti-trust laws which the farmers in time secured will probably not be permanent, for the drastic prohibition of all sorts of combinations would work harm in business. Nevertheless we may even rejoice that many such unintelligent statutes have been enacted for they may make trouble enough to make even the trusts themselves willing to see a sound method of regulation adopted. The policy that seeks rudely to break them up is anything but sound. Their power should be retained and the evil disposition should somehow be taken out of them; but it will not be easy to accomplish this unless the trusts themselves perceive that a worse alternative impends over them. In this view only should we be glad to see the drastic and unwise statutes that in many states have been enacted, executed to a sufficient

extent to bring the consolidations themselves to reason and make them consent to legislation that will give them honest profits without dishonest ones. We have to thank the farmers for a great deal. Their demands were for things good and evil in a strange mixture, but the evil ones, for the most part, failed of enactment and the great good was accomplished of setting in activity an organization that was strong enough and united enough to make some headway against the sinister influence of trusts. To indicate the character of this organization and the possibilities of similar ones in the future has been the object of the hasty sketch here given of the doings of the granges and the Farmers' Alliance. Men who have rightly opposed their effort to inflate the currency with paper and to debase the standard on which the value of the paper depends have abundant reason to thank them for proving that the plain people can still make themselves felt in politics in a way that monopolies must respect.

It so happened that there was in the minds of the farmers of '89 to '91 one specific measure on which they had earnestly set their hearts. It was endorsed with enthusiasm at St. Louis in '89, and in Ocala in '90; and it was prominent in the platform adopted in Cincinnati in '91. It was the so-called sub-treasury scheme. Here, it must be confessed, the farmers lost their heads and used very good strength to very little purpose. They tilted Quixote-like against a windmill and suffered the Spanish hero's

fate. They resembled him in the grotesqueness of steed, weapons and armor and in the absurdity of their attack and its result. If we judge the farmers by the sub-treasury scheme we shall be in danger of losing the respect for them which their sounder measures and the greatness of their political power deserve.

Bad as this scheme was, it grew out of a condition in the south under which many farmers were terrible sufferers and from which it was eminently right that they should try to escape. The condition of the small agriculturist in the south after the Civil War was partly the inheritance of the plantation system, under which even a wealthy man might depend for ready money on the factor who sold his crops. A draft on this factor, to be charged against the forthcoming crop, brought the cash. If the cotton did not suffice to meet the accumulated drafts, the sale of a few slaves would do it, and therefore the advances of money were reasonably secure. After the war the slaves were, fortunately, no longer property, and the man had nothing but his crop to depend on. A class of small owners and tenant farmers grew up and needed every spring advances in the way of supplies to carry them through the season. For these advances they applied to the local merchants who had taken the place of the cotton factors, doing all over the country, on a small scale, what the factors in the central towns had been in the habit of doing on a large scale. They made advances to the farmer and got pretty

round interest for them. Various computations have been made by southern men of the actual rate of interest which these farmers were compelled to pay, but much of it was disguised and not accurately computable. It did not appear openly in the form of a percentage. Ten per cent. for an advance of any sort, however long it was to run, was not uncommon. Now if you make an advance of ten per cent. in planting time, the farmer will not take the goods all at once, but will take them in instalments, from time to time through the season. The average length of time which the different advances have to run is much less than the entire season and ten per cent. will be a pretty stiff interest to pay for them. Since, however, the advance is made, not in money, but in the form of credit on the books of a cross-roads store, the storekeeper has the farmer so entirely in his power that the latter cannot buy things elsewhere and is in a position where he has to pay a pretty large price for whatever he buys. Thus he has another kind of interest to pay in the shape of an abnormal profit on goods furnished. The quality of the goods kept by the store is not up to the mark, and as the customer has to buy what the storekeeper happens to have, his preferences are not likely to be well met. It has been asserted that men who were in the habit of wearing number nine shoes might often be forced to take number ten because the supply of their customary size was exhausted. The farmer's wife could not exercise her taste in the matter of



goods for dresses, nor expect to secure for members of her family clothing which resembled the styles depicted in the fashion books. Any style, however old, had to do. Now, if one computes the possibilities of cost to the farmer of an advance that would carry him through the planting and growing season, he sees that it would not take a very large advance of money to enable a merchant to get, in repayment, the whole of the farmer's crop. It came about that many of the farmers were in debt year after year, and constantly under what came to be called the "anaconda mortgages"—the mortgage which extends its folds about everything the victim has and crushes the life out of him. It was common for a farmer to find, reckoning up in the fall his account with the merchant, that he was still in the latter's debt. The merchant having taken the man's whole crop had a certain claim on the next one; and the farmer was somewhat in the position described in the story called "Colonel Carter of Cartersville." One of the characters in this tale wrote a letter to ask for an advance "not on the crop that he had planted that year, but on the one he intended to plant the following year."

The sub-treasury scheme was the planter's reply to the doings of the new type of factor. He wanted the government to come in and make the needed advances; and he had a scheme which he thought would enable the government to do it. The demand for it was made vigorously and repeatedly, but it never had for more than about a

year or two any firm, real hold on the general body of farmers. There were two reasons for the early abandonment of the scheme. First, it was dimly perceived that the plan could not be made to work and, secondly, nature that was very kind to the American farmer—and not, just at that time, kind to the foreign farmer—gave, in the year 1891, short crops in foreign countries and big ones in America, so that we had the unusual combination of enormous crops selling at very high prices. Usually, we have either a big crop selling at a low price, or a small crop selling at a high one; but here we had the big crop and the high prices at once; and it probably put almost four and a half billions of dollars into the pockets of the agricultural class. It came, not as an advance to be repaid at some future time, but as an outright gift from abundant nature—something which the tillers could have and hold. A farmer could now pay his debts and go on his way rejoicing in the fact that the factor no longer had much of a grip on him. It so happened that, while the crop of '92 following that of '91, did not bring in quite as much money to the farmer as that of the preceding year, it nevertheless brought in a great deal and the gains of the two years were the beginning of a period of good times for the agriculturists. They have gone on paying debts, and while, in the southern states, the crop mortgage system is not abolished, the evils of it are very greatly mitigated. The rate of interest is lower than it was, and the whole situation is so

greatly improved that no one now looks to such a desperate scheme as that of the so-called sub-treasury to afford relief.

It is best to describe this scheme only in a brief way, before speaking of the general situation resulting from the farmers' movements. It was gravely proposed that the government should build in every county in the United States where as much as a half-million dollars' worth of agricultural products of an imperishable kind is produced, a warehouse big enough to store this produce. The farmer should have permission to bring to the warehouse his grain, cotton, tobacco or anything that could be safely stored, and get from the government an advance of eighty per cent. of its market value, paying interest on the advance at two per cent. only. For a rate of interest which to him was so small that it seemed like nothing at all, he could have most of the price of his produce and still own the produce and could take possession of it at his pleasure. By returning his warehouse receipt and the amount of money advanced to him he could take his products from the warehouse for sale or for use. One object of the scheme was to enable him to hold his grain, cotton, etc., as long as he wished, in order to sell it later at a good price, and it is easy to see that he would have been able to sell it before long at a very good price indeed. With the amount of paper money in circulation which the government would have had to issue, the prices would have soared

skyward in such a way that it would have been impossible to follow their course without a telescope.

The advances were to be made by the simple process of issuing paper money, and by the time that the government had built the warehouses and received about a half of the available crops it would have issued so much of this that prices might be doubled. To make the eighty per cent. advances on the remaining half of the crops would then take as much money as would originally have been required, with money on a gold basis, to make the advance on the whole. The more produce came into the warehouses the more paper would be thrust into circulation and, on the supposition that the quantity theory of money held, as the farmers always insisted that it would, higher and higher would have gone the prices; and one is tempted to wonder whether their upward flight would have been stopped by anything short of the exhaustion of the supply of paper pulp material or the covering over of the surface of the earth so deeply with currency as to interfere with agricultural operations.\*

The plan was not long advocated. It was as though some millions of persons uttered a wild whoop for it and then began to have misgivings. A conviction that it would not work began to spread, and the kindly act of nature in giving the farmers a big crop and high prices, and so

\*NOTE —It should be said that the more intelligent advocates of the sub-treasury plan hoped by limiting the time during which the notes issued for deposits of produce should be allowed to circulate, to prevent them from greatly inflating prices.

making it altogether unnecessary, did the rest. Kind nature came to the rescue at a later date, when the Populists, who were the political heirs of the Farmers' Alliance, fought a violent fight for the free coinage of silver. In this instance it was not done by providing large crops but by furnishing so much gold that any one could see that we did not need to depend on silver to accomplish everything that was desirable in the way of increasing the amount of money in circulation. The fact that there is plenty of gold mined does not bring it into a farmer's pocket unless he has something to sell for it; but a conjunction of good crops and an ample currency does make debt paying easy and farming prosperous.

The object of this hasty review of agrarian movements is to show where we must look for a political force great enough to offset the power of monopolies and capable, when it acquires the necessary insight, of action which will put the entire country under obligations. The foolish parts of the early platforms have been thrown away and the wiser parts have been retained. We have the Interstate Commerce Law and the commission charged with applying it. This commission has not as much power as it needs and does not, as yet, get more; for railroads are a power in national politics. Moreover the policy which we shall, in the end, adopt has not yet been decided on. We should not have started on a road that leads to success if it had not been for the farmers; and if we are ever able

to follow the road to a happy goal, this further progress will be due to them.

In the original demand made at Meridian, Mississippi, there was a clause demanding an anti-trust law, which attracted less attention than others; and we have secured a national law of this kind, which shares the experimental and blundering quality of much legislation in new fields. Our policy is not as discriminating and as wise as we should like to have it. If, however, the anti-trust laws were enforced in every state in which they have been enacted and in the federal union, we should probably see the trusts petitioning Congress and legislatures to make sound and scientific trust laws to take the place of the existing laws. Either with the consent of the trusts or against their opposition we must enact laws that will save them from the fate that overtakes unendurable institutions. With their monopolistic power unchecked they will be unendurable. It is the farmers who have gone a few steps along a road marked out at random, yet leading to the goal of a free and prosperous system of industry; and the guideboards they have set up are of use to all travelers. We can join them and press on in the general direction in which they started and by a route that will take us where we wish to go. For the experimenting and for starting the whole country in a vigorous movement we have to thank the organized farmers who are the natural allies of all the honest, hard-working and deserving portion of the

body politic. Their mistakes have been educational and have taught lessons in political economy to more pupils than the schools could have reached. One day our people will be better economists and their demands will then be more general and intelligent, and will secure the laws that are needed for protecting the interest of agriculture, indeed, but also for throwing safeguards around every honest interest in the country.

## CHAPTER VI

### GOVERNMENTAL MONOPOLIES

In speaking of difficult measures for regulating monopolies, one is conscious of the fact that there is one measure which looks simple and workable. Why should not the government take possession of every industry which has the monopolistic form? If all the mills in one department of business are destined to be consolidated in one great establishment, why should not that establishment belong to us all and be run for the benefit of us all? Is not that the obvious way to get rid of a monopoly in the hands of a few of us? Many a man who has no leaning towards socialism is inclined to answer the question in the affirmative. If one sees no way out of the present tangle except the way of governmental ownership that measure has great attractions. It is to be frankly admitted that it is far simpler in appearance than other remedies. It is not altogether a simple and easy problem to manage these great monopolies without taking possession of them in the name of the people. One is reminded of the ancient story of the man who was rescued from the water in an unconscious state and of the apothecary who stood looking at him contemplatively, but doing nothing. "Why don't you do



something?" asked the rescuers. The apothecary replied, "There are eight rules to be followed in resuscitating a drowning person, and for my life I can not tell which one comes first." The drowned man is reported to have solved the difficulty by feebly remarking that if one of the rules called for giving whiskey, the others might be disregarded. If the heroic measure of taking over the great monopolies bodily into the hands of the state is on the program, we have no need to concern ourselves about the other measures that have been advocated. The policy which depends on seven difficult and dubious remedies for an evil may have to yield to one which looks simple and efficacious.

In this connection, of course, we leave out of account the kind of governmental monopoly that exists merely for the sake of revenue. The government has often found it convenient to apply an indirect tax by monopolizing the sale of something: witness the tobacco monopoly of various lands. This monopoly would interest us in connection with the great issues that are pending in this country if it were adopted for the sake of putting an end to the exactions of a trust. As a revenue measure only it has no bearing on the present discussion. When an industry has come into the hands of great and menacing corporations many persons wish the government to assume its management for a very different purpose than that of merely raising revenue. It is to prevent private individuals from taxing the rest of the public for their own benefit. It may be

frankly granted that this reason may always be urged in favor of governmental monopolies as opposed to private ones. If the government owns an industry, it will be run in behalf of us all; and even a monopoly may be welcomed if it is owned and run by the people and for the people. Success in that line, indeed, requires that the government should be honest and democratic in fact as well as in theory; but granting that it is so many will conclude that, if we must have a monopoly of some kind—if we must choose between paying a tax to private corporations and paying it to ourselves—the latter is preferable. It is desirable that we who pay the tax should have the benefit of the proceeds.

There are various purposes in view when the taking possession of a great industry is advocated, and it is the aim of some people to secure radical changes. Some are looking forward to a time when the state shall control everything and own everything; and to them every step in that direction is a step toward a remote and very desirable goal. That is the typical socialistic view. Others simply advocate the taking possession of particular things because they see that grave evils are connected with keeping them in private hands and they can see no other way of remedying those evils. You can take possession of railroads for two utterly opposite purposes. You can take them because you think that that is a good place to begin if you mean to have the state ultimately possess everything.

On the other hand you can take possession of the railroads because you do not want the state to take possession of everything. You prefer to have manufacturing and commerce in private hands, but you are very much afraid that so long as corporations own the railroads they will favor the great manufacturing trusts and so stifle the competition of independent mills on which the welfare of the public depends. You are afraid that the railroads will make secret arrangements, as they have sometimes done, with one producer, enable him to crush his rivals and place him where he can have the field to himself and tax the people for an indefinite time.

Now, for the railroads themselves to be a monopoly and charge rather high prices for freight and passenger traffic is an evil, of course. None of us enjoys paying high prices for what he gets, and therefore the mere fact that the railroad itself charges a monopoly rate for the service it renders is, if it exists, an uncomfortable one. If a railroad really had no limit on its taxing power and could charge what it liked, that would create a serious issue, but it would be far less serious and menacing than what would follow if the railroad should ally itself with a hundred great trusts, help them to crush competitors, and enable them, in selling us goods, to put prices as high as they will. A hundred trusts which make things for us will have us far more at their mercy than would the one consolidation which merely does carry-

ing. We should far rather pay high rates to railroads only, and fair prices for all goods that we buy and use, than to pay monopoly prices for what we buy and use and lower rates on the railroads. The mere fact that the railroads are quasi-monopolies—if they are so—serious as that fact is, is a secondary feature of the situation. That they help to build monopolies is, if true, the more serious consideration, and the one to which we should have to address ourselves with far more energy than we should to the former evil.

The chief problem in regulating railroads is how to prevent them from building up other corporations to the point where they gain a monopolistic power. Now it seems as though the simplest way to prevent this would be to take possession of the railroads and run them in the name of the people, charging fair freight and passenger rates and making them uniform to all the people. If this were done there would be an end of discriminating freight charges and of their natural consequence: the building up of big corporations at the cost of little ones. We should free the field, not of great consolidations, but rather of the menace that is in the consolidations. We should have to leave the trusts, but we should take away their power for evil. It would be like taming the dinosaurs, but it could be done. What, however, would happen if we should take possession of the railroads? Suppose the government does this and puts a definite stop to discriminating rates of

freight; suppose it succeeds in making a successful schedule of railway charges, classifying freight in a scientific way, and making charges uniform to every producer and fair to all. The charges would not need to be excessively low, if only they ruled out the discriminations, caprices and uncertainties in the rates. If the government succeeded in doing this and if, by doing it, it took away the largest weapon that the manufacturing trusts possess, we must concede that it would become possible for independent competitors to live; and in that case the trusts could not charge monopolistic prices. The largest incentive that exists for taking possession of other industries would thus have been removed. It is therefore possible to advocate taking possession of the railroads for the sake of removing all necessity for taking possession of many other things. We can leave the other things in private hands if we take only the railroads. That is a position which many a man takes and which it is entirely reasonable to take as soon as it is proved that we cannot regulate freight charges in any other way.

We may be willing to make one other concession to the advocates of the public ownership of railroads and concede that it will be very hard to regulate freight charges so long as we forbid pooling, and that if we permit pooling then we shall be forced to regulate the general level of charges. We have seen that there is no motive for discriminations when the different lines are consolidated, and

share their general earnings on some fixed plan of division. If we permit consolidation of railways we subject ourselves to high general charges; and this evil must, in some way, be prevented. Now, it is reasonable to believe that the coming system is one that will legalize pooling and regulate the general level of charges. We may permit the railroads to combine as they please, but in reference to their freight tariffs we must say to them: "Thus far and no farther you may go." We shall have problems to solve in connection with the classification of freight and shall have to make it scientific and, at the same time, practical. We shall need all the expert knowledge that we can get from men of scientific training and men of experience; but by such means we shall be able to get a schedule of charges that it will be practicable to enforce.

Now the difference between actually owning the railroads and regulating their charges in this way is less than at first would appear. We shall get the advantages which would come from owning them if we regulate their charges. If some neighbor of mine were under the necessity of furnishing horses for my personal use on such terms as I might prescribe, he might be the nominal owner of the horses, but I should be the virtual owner and he the keeper. If I could not regulate the charges it might be better for me to own the horses. Now, something akin to that situation would be created if the government should succeed in regulating the general level of railway charges. The

owners might keep their stock and the charges would certainly be fixed at rates which would give them fair dividends; and they would be given the opportunity to increase those dividends by making improvements in their plants or their management. They would have to rise early in the morning and devise ways of improving the railway system. They would have to be alert and progressive to invent new appliances, to adopt other people's inventions and to improve the quality of the railroad service. They would be very likely to do all this far more readily than the public officials would be likely to do it if the railroads were in the hands of the government. If, therefore, we can have the result that we desire in the way of fair charges, while letting other people have the pleasure of doing the inventing and of performing the arduous duties connected with management, we may well refrain from placing the railways under government ownership. The difference between a thorough system of governmental regulation and a system of governmental ownership is by no means as wide as it appears; and what difference there is is in favor of the regulated private ownership. Such ownership, if unregulated, has little to commend it. Even though it were progressive and inventive, the people would not primarily benefit from the improvements made. Moreover, if the private managers of the railways had a secure monopoly their enterprise would show itself far more in making unfair deals with trusts

and in building up numerous monopolies besides their own than in improving their actual service. Such things we are forced to stop, and, if we cannot stop them by regulation, the argument in favor of governmental ownership will have irresistible force and the people will at some time yield to it. We would better make a thorough test of the alternative plan and adjourn the question of public ownership till the plan of public control shall have been proved a failure.

Next to the railroads the mines are in the strongest strategic position and possess the greatest power to strengthen the position of monopolies. The demand for governmental ownership of railroads is paralleled by a demand for the public ownership of mines. If the government owned the anthracite coal mines, there is little chance that we should ever suffer from a coal famine; but there is also little chance that we should have very cheap coal. We might not, indeed, have to pay much higher prices than we are paying at present and there is a large probability that we should all be treated alike and that private monopolies would not be favored. We might have a fairer system of dealing than we now have; but we should scarcely get a better service at lower prices. The government would be under a political pressure to pay miners high wages and to exact from them comparatively little work.

One who travels through the northwest and measures



the extent of the deposits of iron ore which are there to be found, and which are fit for the making of steel, does not get the impression that there is any scarcity of that kind of ore in the United States. He would think there is enough of it to build all the houses that could stand on the dry land and all the ships that could sail on the sea. The supply, however, is not thus unlimited. In so far as is known we can use up all the ore we have suitable for steel production well within the limits of the present century. These limited though vast deposits of ore may be monopolized through the more vast capital of a corporation, and in that case competition in the making of steel may be difficult. Whoever controls the ore will have his hand upon many industries just as the one who controls transportation, and it might be exceedingly difficult to carry out the policy of regulating such a trust by the plan which, in a foregoing chapter, has been advocated. Keeping the field open and compelling the fair treatment of rivals is enough when there are rivals; but here is one case where rivals may be excluded. The case affords a very strong argument in behalf of the appropriation of the ore deposits by the government. It would be possible to take them, pay for them and use them in the interest of the people. If an emergency were really to arise in which some "octopus" of the future had a deadly grip on us and we could not throw him off except by resorting to the expedient of expropriating the ore deposits, it is perfectly safe to say

that the people of the country would vote to take possession of them and would not regard themselves as doing anything revolutionary in the act.

Scarcely anything is quite as exceptional as are highways and mines in their relation to other interests. No other form of property, when it is in private hands, confers on its owners so much power to build up private monopolies. Shall we take possession, for instance, of street-car lines and run them for the benefit of the people? There might be a good argument made for that policy but it would rest on an entirely different ground from the argument which is made in behalf of public ownership of the general railroads. The street car lines may *be* monopolies, but they are not *making* them. They are not building up great trusts. If we take possession of them, it will simply be because we think we can get a better and a cheaper service in that way than we can in some other. Now if the time should ever come when a fair series of experiments had been tried and when it had been proved that better and cheaper service can be gotten by taking possession of the street-car lines than by leaving them in the hands of private corporations—though under a great deal more and closer regulation than they have ever been under—then the people will vote to take possession of them; but it will be well to wait until the experiment of thorough regulation has been tried before taking the other step. Here again the economic difference be-

tween actually owning the lines and regulating them is not a very wide difference; but in this connection the people will always think of political effects as well as of economic ones. The street-car lines are very much in politics, and if we argue the question on political grounds, we shall have a difficult problem to settle. We know that politics is in a somewhat debauched state when great corporations are levied on for party contributions; but we know also that there is peril of another sort when a city takes possession of great enterprises and has an army of employees under the control of the bosses. The private citizen would be "between the devil and the deep sea" if these were the only alternatives. The most earnest effort we have ever put forth in connection with anything municipal should be put forth in the experiments that will decide whether the public service corporations can safely be allowed to remain as a part of our general system.

Shall we nationalize the leading trusts? Shall we manufacture steel, furnish all the oil, and so forth through the whole list? That is asking whether the government shall go into a hundred different kinds of private businesses. That is the most far-reaching question of all; and while there are many people who think we are tending somewhat in that direction—people who, in a wholly speculative way, think that in the remote future the state will be run upon exactly that plan—there are not many who favor making that experiment now. The theoretical

argument tells rather against it than for it, and in any case it is altogether too radical a plan for a country to adopt or for wise men to advocate. No large political party will venture to advocate it and, except as a subject of speculation, we may leave it out of view. Within the bounds of possibility it is that the government may take possession of some departments of industry; but if so it will do this, not as the entering wedge of genuine socialism, but in a wholly different way. It may conceivably take railroads, mines or street-car lines; but, if so, it will have in view an object which is not very different from the one that would be gained by successfully regulating them. That it is wise, before resorting to government ownership, to experiment with regulation more earnestly and judiciously than we have ever done, is sufficiently clear.

There is a general argument that still has weight with many people whose opinions we should respect. We have seen that the successful regulating of trusts requires that we should keep the essential power of competition alive. We should keep the field open so that when a trust charges exorbitant prices new mills will appear selling goods more cheaply. Many a man in these days, however, says that competition itself will not save us, because it is a hard and grinding process, from which we ought to be delivered and can be delivered only by socialism. Competition in the form in which we have sometimes had it presents itself in an unlikeable guise and sometimes works harshly. Yet

even while it was working with occasional severity it was acting as a guarantor of public security and of progress. It prevented producers from charging extortionate prices. In a way it succeeded, imperfectly indeed, in protecting even the worker against the harsh treatment to which he might have been exposed; for there is no position whatever in which the worker will be at such a decided disadvantage in bargaining for his wages as where he is dealing with a great monopoly and finds in the market no other employer to whom he can resort. Even the terrible conditions of a century ago were not as devoid of the redeeming element of hope as would be those which would result from destroying the competition to which some persons still unintelligently ascribe the abuses of the present day.

It is necessary that competition should remain alive. It works more smoothly and benignly when it is in the potential form rather than in the active form, provided only that, in the potential state, it has its normal scope and efficiency. When two people bid against each other in selling labor—when one says: “I will take less” and the other: “I will take still less,” until neither one is able to make a living, that is an evil; but an even greater evil comes when, in buying labor, there is only one party in the field with no one to overbid his first and minimum offer. If some one is ever able and ready to bid higher than this, the situation is relieved even though there may

be no actual auctioning up of the rate. The first offer will be more nearly satisfactory.

In the selling of goods and services the best competition has always been in the potential form. In a village there may be one blacksmith to shoe the horses; yet one never hears of a serious movement against the village blacksmith, and he is not regarded as a monopolist. He does not actually charge exorbitant prices, for the reason that, if he did, another blacksmith would soon appear. That is an instance of potential competition, and this is the variety which ought forever to survive. That implies that it ought to be made to survive, even after the formation of great trusts. This will have the effect of relieving the harshness of the more overt competition, which forces both wages and prices to low levels. There will be a quiet and real force at work which will insure a certain justice in the fixing of wages and prices.

Suppose that we succeed in the good time that is coming in controlling private monopolies, in regulating carriers and in securing the survival of independent competition and a régime of honest wages and fair prices—the question arises whether this old world into which we were born, the only one we have the option of living in, will, after all, be an altogether bad world. It is natural for persons who have a comfortable place in society to regard that society as generally good and for those who have an uncomfortable place to take the opposite view. Let us try to see

both sides of the question and reach a fair conclusion. Let us not either deny the existence of evils or deny that they can be reduced by wise and determined action. Let us try to draw a comparison between the world as it will be, if we succeed in greatly improving it, and the world as it would be if we pursued the plan of revolutionizing it, and we shall find that, in the former case, we have a very inspiring outlook for the future. The world as it is is not as bad as it might be; and there is no doubt that reforms will make it far better than it is. The world as it may come to be after years of evolution—not unconscious evolution, but change brought about by intelligent action—is capable of being better than any world we have thus far seen. What could possibly happen, under such a system? We could have a régime of honest pay for labor, we could have a system in which a man's wages would correspond with the value of what he creates. When that one single thing is secured, it will be of so much more importance than anything else that will follow that we may well consider the battle largely won. There is, however, no class that needs more to live in a progressive world—one which shall forever become more and more productive—than those who earn their living by labor; and if we can secure a régime of honest payment for labor which is still consistent with general progress, we shall have won the battle completely. Securing to laborers what they create and enabling them from decade to decade to produce more and

more is gaining so much that further gains are secondary and comparatively unimportant.

Now the tendency of competition is to secure both of these things. Its influence goes toward making the world both honest and progressive; and if we can break down the power of monopoly, we shall have done nearly all that we can toward bringing the society we live in to this state. Private monopoly is what stands squarely between us and that consummation; and the kind of competition that is here commended is that which would slowly and surely transform our vast collective workshop and make it resemble more and more closely the ideal picture which a healthy optimism has always drawn of the future of humanity. This depends on combining progress in the arts of production with a fair division of the fruits of the process. Give to the worker, all the while, what he creates and enable him to create more and more as the years go on. It would not be altogether desirable for a man to get every penny that he creates, provided that were secured by accepting a scheme of industry which would prevent him from creating very much; but if, while getting even a tolerable portion of what he creates, he lives under a régime which enables him continually to produce more and more, his condition affords an inspiring outlook. Progress is the essential feature of it. We would rather live in a progressive world that for the moment is uncomfortable than in a stationary one that starts at a comfortable point



but never gets beyond it. We would even rather live in a world which now treats us ill than in one which treats us well, but will treat our grandchildren no better. We want our class to be better off two generations hence and to know that all humanity will later reach a goal that corresponds with our hopes and dreams. It is better to be in a progressive purgatory than in an unprogressive paradise. Starting in a paradise and having a purgatory as a goal would afford little happiness; but starting in a purgatory and having a paradise as a goal would ensure happiness.

Now the survival of an efficient kind of potential competition means what—a paradise? No; but it means an open road toward it and sure progress along the road. It means that the evil state which existed scarcely over fifty years ago will recede farther and farther into the past, and that the surviving evils of the present day will, little by little, become less, till, though we shall not see a paradise at the next station on the road, we shall see something like it gradually growing into clearness of outline at the far away terminus of the route. The world will be tending surely, and perhaps even rapidly, in that direction.

Is there anything more that is ensured in the future by this suppression of monopoly without any attack on private property? The retention of the essentials of the present condition and the abolition of the greater evils that now attach themselves to it will make it

possible for us to enjoy a great deal of genuine economic democracy. We have political democracy, or think we have. There is something to be said as to who really controls our state; but in politics we have the form of a democracy. We do not, in industry, have even the form of a democracy. An economic democracy would be a world that should treat different classes of inhabitants with some approach to equality, and we live in one which gives to one man nothing and to another uncounted millions. Yet in a sense it may be said that a world might be essentially democratic even though there were a great many billionaires in it, provided that their great fortunes were not made by way of monopoly, which gets gains by taking them out of producers' pockets, but by the method of genuine production. If a man can create a billion dollars, let him have it and welcome. If he can make a great discovery and bring to light a principle which will make it easier for humanity to make a living than it is now, we are willing that he should take toll on the proceeds of it, even though that should bring him a billion dollars. If, however, he only gathers into his own pocket some of the wealth that would exist in any case, we should grudge him every penny of his gains; and the test that should be applied to the billionaire of the future is one that will tell whether his great fortune is or is not a new creation—whether it has been brought out of non-existence by forces which he has set working or was already existent in

the pockets of other men before he managed to get it into his own. Now this is the main difference between the honest way of making money and the monopolistic one; and we ought not to care how many men there were in this world worth a thousand million dollars apiece, if they got their money honestly by making a net addition to the wealth of the world. Rather should we welcome the advent of any number of such fortunes; for we could not have such an addition to wealth as that would signify without having very high wages. A world fairly glutted with capital would be the most comfortable world imaginable for the laborer. If one were to choose between being one of these workers getting high pay and being assured employment, or a billionaire the abundance of whose wealth will not suffer him to sleep—or, for that matter, to eat—many a man would rather be the worker. The billions upon billions of wealth which the world would contain would ensure to the man who now gets two dollars a day, three or four; and that is a gain worth having. The thousand million dollars that the great capitalist may accumulate, if it means sleeplessness, and dyspepsia and a short life, and no very great regret on his part for the shortness of it, is a very negative blessing. It is better to be the man whose honest labor is well paid for because of that vast sum of money than the man whose life is crushed and shortened by the possession of it. It is possible that the future may bring us to a condition in which

we shall rejoice in the presence of the billionaire because his fortune will have been honestly created and not filched from the people by the arts of the monopoly. Then will the more than Croesus-like fortune do greater and better things for laborers than it will for its owner, and we can look at it without envy because we live with it without injury. The economic ideal of the future is the one which will combine inequality of outward and material possessions with a constant approach to equality of men's inward states, and will cause, not wealth, but well being to be democratically shared. Such is the effect of that suppression of monopoly and that restoration of freedom which are within our reach if we strive for them wisely and strenuously.

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BY

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